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Your Lands Your Legacy

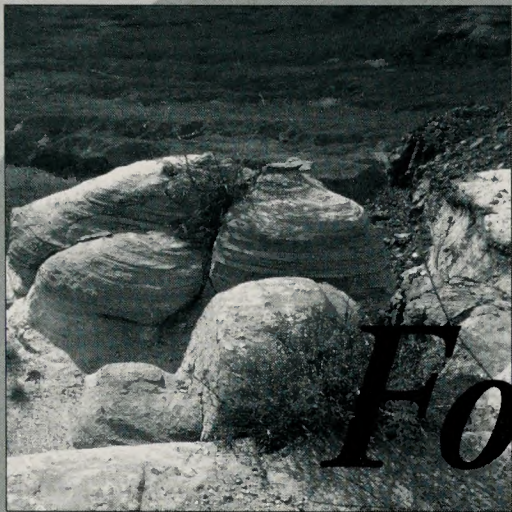


U.S. Department of the Interior

Bureau of Land Management

1998 Annual Report

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Foreword

The Bureau of Land Management (BLM) is a diverse and geographically dispersed agency charged with the complex mission of managing 264 million acres of public lands and their myriad resources across the western states and Alaska, as well as 300 million additional acres of subsurface mineral estate. The Bureau's workforce includes more than 10,000 permanent, temporary, seasonal, and other employees located in over 200 headquarters, center, and field offices.

In managing the Nation's vast public land holdings, the BLM performs many tasks: resource inventory, land use planning, environmental impact assessment, land surveying, road construction, fish and wildlife habitat restoration, and resource condition monitoring, to name just a few.

The wealth of resources on America's public lands is an asset belonging to all of us. As steward of the public lands, the BLM is committed to ensuring the health and productivity of these lands and resources and to sustaining public uses for generations to come. Taken together, the myriad public land resources and uses—commercial activities, natural and cultural resources, recreation, wilderness, and many others—help create the very fabric of American society.

Along with our partners, our customers, elected officials, and the general public, we are working hard to restore and maintain the health of your public lands today...and the priceless legacy they represent for our Nation and its many diverse peoples.

*"We do not inherit this land from our ancestors;
we borrow it from our children."*

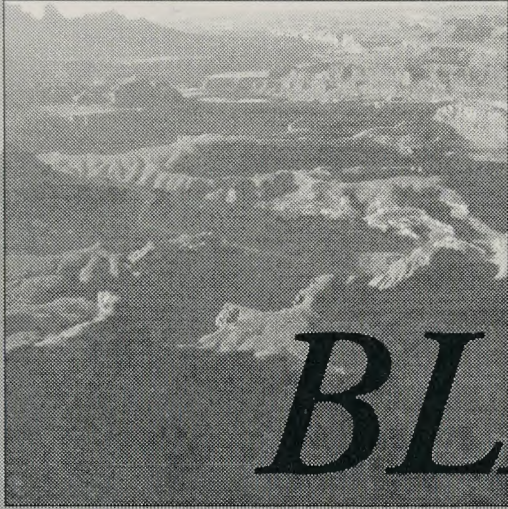
Haida Indian saying



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BLM's Vision for the Future

- Provide for a wide variety of public land uses without compromising the long term health and diversity of the land and without sacrificing significant natural, cultural, and historical resource values;
- Understand the arid, semi-arid, arctic, forest, and other ecosystems that the BLM manages and commit to using the best scientific and technical information to make resource management decisions;
- Resolve problems and implement decisions in collaboration with other agencies, states, Tribal governments, and the public;
- Understand the needs of rural and urban publics and provide them with quality service;
- Maintain a skilled and highly professional work force;
- Clearly define and achieve objectives through the efficient management of financial, human, and information resources;
- Efficiently and effectively manage land records and other spatial data; and
- Commit to recovering a fair return for the use of publicly-owned resources and to avoiding the creation of long-term liabilities for the American taxpayers.



Director's Letter

As the Acting Director of the Bureau of Land Management, I am pleased to present this report of our accomplishments for 1998. Working closely with our partners and customers, we have done our best to exercise wise and effective stewardship for America's vast legacy of public lands, with their wide-open landscapes and myriad natural and cultural resources.

Developing a long-term vision for America's public lands is the first step in achieving wise stewardship. Management actions on the ground must be guided by an overall vision that protects the land and its resources while enabling people to enjoy and benefit from the wealth of opportunities available on public lands.

We seek close partnerships with state and local governments, Indian tribes, other federal agencies, and all of our publics, as we embrace a process that addresses all of the physical, biological, economic, and social aspects of land and resource management. Our actions will be guided by consensus building and by a shared vision that emphasizes public land health and preservation of the wide-open spaces increasingly valued by all of us.

One of the highlights of this past year has been the continued success of the Resource Advisory Councils that have been established throughout the western states. These Councils continue to provide a unique forum for local citizens who use and value the public lands to have a voice in their management. In 1998, we completed another round of appointments to 21 of these Councils, further institutionalizing this innovative approach to addressing natural resource management issues on the ground.

There are literally hundreds of examples where we have all worked together as Americans to establish a common vision for—and to sustain the health, diversity, and productivity of—our Nation's public lands and resources. We look forward to continuing to care for the land and all who depend on it and cherish it, serving as stewards of your priceless heritage: America's public lands.



Message from the Chief Financial Officer

The BLM issued its first audited financial statements at the end of fiscal year 1991 and received unqualified ("clean") audit opinions for fiscal years 1995, 1996, and 1997. We are very proud to have achieved these milestones, and I am pleased to report that we have again received an unqualified audit opinion on our financial statements for fiscal year 1998. These opinions reflect the importance and priority we place on our stewardship responsibilities and our commitment to sound financial management.

Restoring and maintaining the health, diversity, and productivity of our Nation's public lands requires strong internal business and support service functions. As an agency, we must provide accurate and timely management information, pay the bills for goods and services, manage our office space, maintain our vehicles, and handle the myriad tasks associated with financial and budget record keeping. All of these responsibilities, and many more business functions as well, are critical to our ability to do our job.

This past year, we continued to implement a Management Information System that will provide all Bureau employees with financial information that is up-to-date and electronically accessible. We also made significant strides in developing an activity based costing and management system. In addition, we continued to use and develop our redesigned acquisition system, including the use of charge cards for many purchases, convenience checks for vendors who don't accept charge cards, Internet/electronic commerce and contracting, commercial item buys (instead of special orders), performance-based service contracts, and two Web-based customer service guides. These new tools and improved business practices have enabled us to work smarter, satisfy customers, increase efficiency, and obtain the best value for the taxpayers' money.

*Nina Rose
Hatfield*



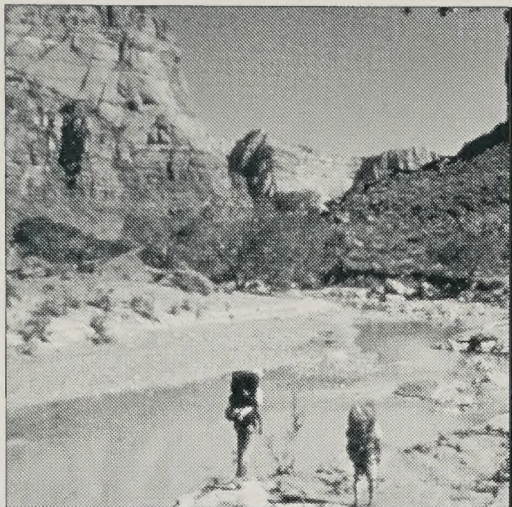
We also began the process of transitioning to a new integrated charge card that will replace three separate charge cards currently used for travel expenses, supply and equipment purchases, and fuel and other vehicle expenses. The new charge card is providing us with an opportunity to completely reengineer the Bureau's credit card processes, eliminating any unnecessary steps and saving considerable time and money. And we made significant progress in preparing the Bureau's automated systems for the Year 2000 (Y2K) transition.

We continued to implement the Service First program (formerly known as the "Trading Post" initiative). Under this initiative, BLM and Forest Service offices at several Colorado and Oregon locations have combined their resources and functions under one roof to better serve the public.

We also continued to refine our customer research methodology and applications to strengthen our ability to work with our partners and serve our customers. In fiscal year 1998, we surveyed our use authorization processes for oil and gas, rights-of-way, land acquisitions and exchanges, grazing permits, and recreation permits.

Finally, we continue to implement a new approach to conducting internal evaluations based on *preventing* problems rather than detecting them after the fact, and on identifying and publicizing best practices so that every BLM office can benefit from innovative thinking. This redesigned evaluation process will build efficiency, effectiveness, and accountability into all of the Bureau's work processes.

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The Bureau of Land Management

The Bureau of Land Management's mission is to sustain the health, diversity, and productivity of the Nation's public lands for the use and enjoyment of present and future generations.

The Bureau manages 264 million acres of public lands—about one-eighth of the land area of the United States—and approximately 300 million additional acres of subsurface mineral estate. Most of these lands are located in the western states and Alaska. The BLM manages more public land acreage than any other federal agency, putting the Bureau in a unique position to manage and protect our Nation's priceless natural and cultural legacy.

The lands administered by the BLM are some of the most ecologically and culturally diverse and scientifically important lands in federal ownership. Among its many varied responsibilities, the Bureau is steward for:

- recreation opportunities on public lands
- commercial activities on public lands
- wildlife habitat
- transportation systems (roads, trails, and bridges)
- paleontological localities and archaeological and historical sites, including museum collections derived from those areas
- wild free-roaming horses and burros
- wilderness and wilderness study areas
- Wild and Scenic Rivers
- rare, vulnerable, and representative habitats, plant communities, and ecosystems
- interpretative activities to meet scientific and educational needs

The BLM came into being in 1946, when the Grazing Service was merged with the General Land Office to form the Bureau within the Department of the Interior. When the Bureau was initially created, there were over 2,000 unrelated and often conflicting laws for managing the public lands. The BLM had no unified legisla-

tive mandate until Congress enacted the Federal Land Policy and Management Act of 1976 (FLPMA).

In FLPMA, Congress recognized the value of the remaining public lands by declaring that these lands would remain in public ownership. Congress also gave us the term "multiple use" management, defined as "management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people."

Increasingly, the BLM has had to address the needs of a growing and changing West. Ten of the 12 western states with significant proportions of BLM-managed lands have among the fastest rates of population growth in the United States.

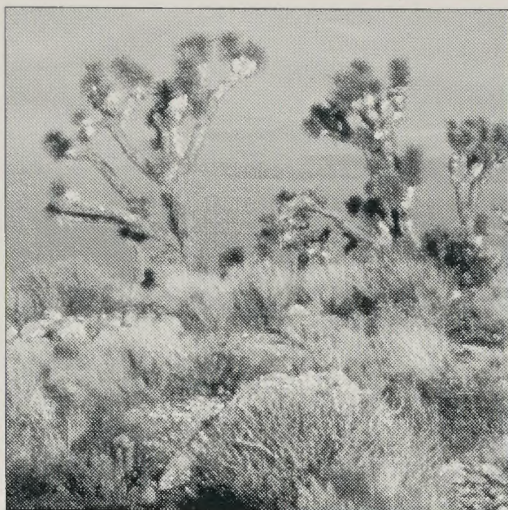
The American public values balanced use, conservation, environmental management, recreation, and tourism. Public lands are increasingly viewed from the perspective of the recreational opportunities they offer, their cultural resources, and—in an increasingly urban world—their vast open spaces. However, against this backdrop, the more traditional land uses of grazing, timber production, and energy and mineral extraction are still in high demand.

The BLM's task is to recognize the demands of public land users while addressing the needs of traditional user groups and working within smaller budgets. Fortunately, the public, constituent groups, and other agencies and levels of government have proven eager to participate in collaborative decision making. These diverse partners have joined with us in developing many partnerships that benefit the public lands and everyone who relies on them.

Perhaps one of the Bureau's greatest challenges today is to develop more effective land management practices, while becoming more efficient at the same time. We and our partners have already taken significant steps to reduce administrative costs, streamline work processes, focus on customer service, and improve accountability to the American people.

As the BLM approaches the end of the 20th century, we look forward to continuing our service to the public while strengthening our partnerships with all who use or care about the public lands. Working together, all of us can succeed in maintaining the legacy of America's public lands for the use and enjoyment of both present and future generations.

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Implementing the GPRA in the Bureau

The BLM published its first Bureauwide Strategic Plan in 1997 as required by the Government Performance and Results Act (GPRA). This Act requires that agencies set priorities and goals, determine strategies for reaching those goals, measure performance, and report on progress each year. The Bureau's Strategic Plan was developed and refined by numerous headquarters and field office employees and will guide BLM's efforts over the next 3 to 5 years.

In fiscal year 1998, we began implementing the Government Performance and Results Act throughout the agency. Using the 1997 BLM Strategic Plan, we used input from our field offices to establish long-term performance targets, resulting in a Multi-Year Performance Plan. The Multi-Year Plan's long-term targets for accomplishment resulted in annual goals and targets that are documented in BLM's Annual Performance Plans.

In February 1998, the BLM sent forward its fiscal year 1999 Annual Performance Plan to the President and Congress, setting forth the goals and performance measures that the agency will use to assess its progress. The Annual Work Plan, a yearly budgetary document, rounds out the Strategic Plan by covering operational activities and measuring daily on-the-ground activities using workload measures. The Bureau publishes its *Annual Reports* in February to show what the BLM has accomplished for the money it has received, following the conclusion of each fiscal year.

The Government Performance and Results Act requires agencies to revise their 5-year strategic plans at least every 3 years. Accordingly, we are preparing to revise our Strategic Plan in 1999, simplifying the structure and refining the goals. This revision will be a collective effort of the Bureau and others with whom the agency collaborates.



Evaluation to assess performance is an important aspect of complying with the Government Performance and Results Act. Responding to this need, the BLM is implementing a new approach to conducting evaluations for its offices and programs.

Based on preventing problems rather than detecting them after the fact, the new system uses two interlocking components: local self-assessment and national validation. An Implementation Team consisting of both Field and Washington Office members has embarked on the Phase 2 goal of building efficiency, effectiveness, and accountability into all of the Bureau's processes.

Evaluation teams will work to assess projected targets and actual performance on a State-by-State basis. These comparisons may highlight significant differences that are not based solely on geographic differences and local circumstances. Best performance practices can then be benchmarked and shared with others, resulting in productivity and efficiency gains over time and ensuring that the American taxpayers are receiving the best value for their money.

*...resulting in
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Annual Performance Report for 1998

Recreation

Studies indicate that 94.5% of the U.S. population participates in some form of outdoor recreation. These studies also reveal that the demand for recreation will continue to expand as the U.S. population increases. Visitation to BLM public lands in 1997 (the latest year for which data is available) was 61 million visits, resulting in nearly 72 million visitor days of recreation use.

The BLM public lands provide visitors with a vast array of recreational opportunities. These include hunting, fishing, camping, hiking, boating, hang gliding, off-highway vehicle driving, mountain biking, birding, and visiting natural and cultural heritage sites.

The BLM administers 205,498 miles of fishable streams, 2.2 million acres of lakes and reservoirs, 6,600 miles of floatable rivers, over 500 boating access points, 64 National Back Country Byways, and 300 Watchable Wildlife sites. The BLM also manages 4,500 miles of National Scenic, Historic, and Recreational Trails, as well as thousands of miles of multiple use trails used by motorcyclists, hikers, equestrians, and mountain bikers.

Significant accomplishments in fiscal year 1998 occurred in several areas:

- **Universal Access:** The Bureau continues to actively incorporate the concept of universal access into all of its programs, activities, and facilities to ensure availability to people with disabilities. Universal access concepts were used in designing several recreation facilities, including fishing piers, campgrounds, watchable wildlife viewing areas, and other outdoor recreation areas.
- **Recreation Fee Demonstration Program:** BLM's Recreation Fee Demonstration Program increased from 10 projects in 1997 that

that collected \$419,000, to 67 fee projects in 1998 that collected \$3.5 million. The Bureau has had positive support for its projects because of the extensive outreach effort conducted before instituting the projects. The BLM has been able to carry out several creative projects involving efforts with county/state/federal partners, web-based reservations, and price differentials to spread recreation use.

- **Electronic Recreation Information:** The BLM has made great efforts to provide electronic information to the public. The Bureau's participation in the award winning Recreation.gov and lead role in the Public Land Information Center websites provides the public with one-stop shopping for public land information. The BLM has also found innovative ways to issue permits through a website (for example: Paria Canyon URL <http://paria.az.blm.gov>).
- **Interpretation:** The BLM continues to be a leader in developing creative interpretive techniques to reach out to the public. This year the Bureau produced the award-winning CD-ROM "People of the Past," which helps people better understand the value of, and the need to protect, cultural resources. The BLM is also using interpretation on the Internet to help people safely enjoy their public lands
- **Partnerships and Volunteers:** The BLM entered into a new partnership to provide appropriate recognition for the bicentennial events celebrating the Lewis and Clark expedition. Volunteers continued to provide significant support for visitor services and quality recreation activities.
- **Using Alternative Funding Sources to Complete Planned Projects:** The Bureau continues to use alternate funding sources to supplement recreation management and help provide recreation facilities. The California Off Highway Vehicle (OHV) fund continued to provide the major funding to maintain the outstanding OHV recreation opportunities on BLM-managed lands in California. In Arizona, field offices have been able to improve visitor facilities and resource conditions by tapping into Arizona State Grant Programs (Heritage Funds, Off-Highway Vehicle, and Water Protection Funds) and transportation funding for an additional \$4 million over the last 6 years. Challenge Cost Share programs have also continued to be a successful tool to leverage partnership money to provide recreation opportunities on BLM-managed lands.

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- **Tourism:** The BLM continued working with Western gateway communities to develop a common strategy for sustainable tourism and related economic development. The Bureau co-sponsored two major gateway community conferences, both in conjunction with the Western Tourism Policy Council.
- **Providing On-the-Ground Recreation Management:** Management of recreation resources is guided by the Recreation 2000 strategic plan and Recreation 2000 Update. This strategy directs BLM offices to identify primary areas for emphasis based on their own unique resources and visitor use patterns. This process, called “niche management” by the BLM, customizes the management of each local area based on its own resources and public demands, focusing recreation funding on the most significant resources and intensively used areas. In fiscal year 1998, BLM field offices followed this philosophy to identify their unique role as a recreation provider and to direct their efforts to managing their highest priority resources.
- **Providing Social and Economic Benefits to Local Communities:** The Bureau recognizes the importance of public land recreation to neighboring communities. Efforts to develop economic assessment tools continued; these will provide valuable assistance to local jurisdictions in making decisions about their economic future and related social impacts. The BLM has been a leader in Colorado in working with San Luis Valley communities, as well as working with communities adjacent to the Alpine Loop backcountry byway.
- **Recreation Program Recognition:** BLM’s leadership role in recreation was recognized by several national organizations. The National Outdoor Leadership School presented an award to the Leave No Trace program coordinator for his continued efforts on behalf of land use ethics education. And the National Association for Interpretation once again recognized several outstanding BLM originated interpretive products and programs.

The trails community has also recognized BLM’s leadership as a trail provider in both the motorized and human-powered arena. Carole Genaro, a BLM volunteer from Hudson, Wyoming, received the Wyoming Trail Worker Award on November 15 at the 1998 National Trails Symposium Awards Banquet in Tucson, Arizona. Ms. Genaro was instrumental in organizing five fellow horseback riders to volunteer in evaluating over 150 miles of trail route for the

Continental Divide National Scenic Trail. The evaluation of these routes was extremely valuable to the BLM in designating the on-the-ground route for this trail. At the same ceremony, Jim Mahoney, Outdoor Recreation Planner from BLM's Phoenix Field Office, received the Arizona Trail Worker Award for his work and skills on the Black Canyon Trail and the Maricopa Trail Complex.

Commercial Activities

The public lands provide myriad opportunities for commercial activities. Commercially valuable natural resources include energy and mineral commodities, forest products, grazing forage, and special uses such as rights-of-way for pipelines and transmission lines. The BLM recognizes the Nation's need for a domestic source of energy, minerals, food, timber, and fiber from the public lands.

During fiscal year 1998, the public lands produced 31 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's fertilizer minerals, mineral materials, gold, silver, and other metals. In addition to overseeing activities on the Nation's public lands, the BLM provides technical supervision of mineral development on Indian lands.

Timber production and livestock grazing are important uses of the public lands. Livestock grazing on the public lands is central to the livelihood and culture of many local communities. Among all commodities, livestock grazing has the highest indirect effect as dollars recirculate through local economies, resulting in an economic multiplier effect of 4.3 (i.e., each \$1.00 of grazing value translates to \$4.30 of economic benefit).

Other commercial uses include rights-of-way and other permits and leases. This year over 5,000 rights-of-way actions were processed, resulting in 2,719 grants issued to companies to use public lands for roads, pipelines, transmission lines, and communication sites. Many of these provide for the basic infrastructure of society, meeting the needs of local cities and towns.

As the accompanying table shows, the estimated fiscal year (FY) 1998 market value of production occurring on the public lands was \$11.8 billion, 99 percent of which was derived from energy and minerals. The direct and indirect economic impact of all commercial activities amounted to \$26.3 billion. Of the total of \$1.3 billion in annual revenues derived from BLM-managed lands, energy

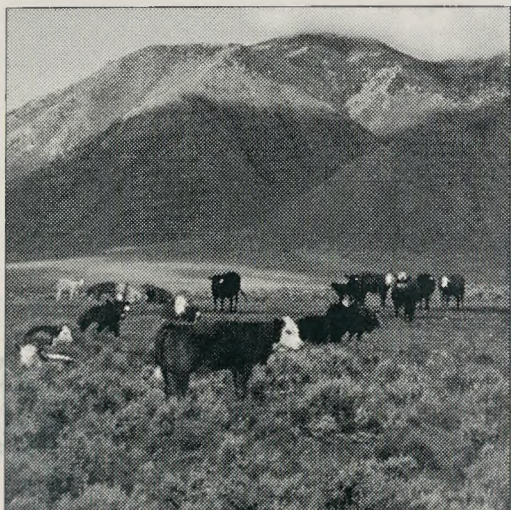


Public Land Commercial Activity	Value FY 1998 (millions \$)	Output Impact FY 1998 (millions \$)	BLM Revenue Generated FY 1998 (millions \$)
Oil and Gas Leasable Minerals	6,241	11,483	787
Coal Leasable Mineral	2,826	7,348	321
Other Leasable and Salable Minerals	1,358	3,531	83
Locatable Minerals *	1,204	3,130	30
Grazing	95	410	14
Timber	107	365	72
Realty	18	43	10
Total	11,849	26,310	1,317

Note: Table does not include the economic value of commercial and non-commercial recreation activities on the public lands. Recreation is discussed in the previous section.

* The BLM does not collect locatable minerals production data. The production value was estimated from the 1995 estimate and adjusted for production patented out of the public lands in subsequent years.

...Oil, gas, and coal production together represented a significant portion of our domestic energy production...



and minerals generated over \$1.2 billion from mineral royalties, rents, bonuses, sales and fees. States share in a large portion of the revenues collected.

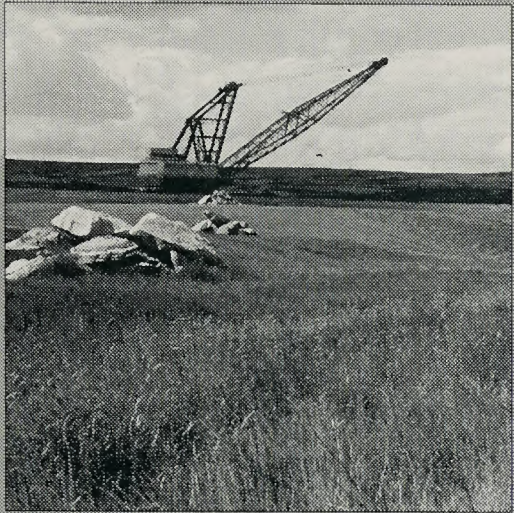
In addition to the contributions to the Nation's economy shown in the above table, significant accomplishments occurred in several areas:

Energy and Minerals

- Oil, gas, and coal production together represented a significant portion of our domestic energy production. Together they generated \$1.1 billion in revenue within a BLM budget of just \$62 million.
- Helium operations generated \$15 million in collections.
- An Environmental Impact Statement and Record of Decision for the Naval Petroleum Reserve-Alaska (NPR-A) were completed, identifying areas to be considered for oil and gas leasing.
- Naval Oil Shale Reserves One and Three were transferred to the BLM, which will now assume responsibility for leasing and managing these oil shale properties.
- BLM's Geothermal Resources Leasing regulations won a Plain Language Award from the Vice President's Office; this award recognizes the Bureau's success in translating complex regulations into easily understood text, benefitting lease applicants nationwide.
- The Bureau continued the royalty rate reduction for stripper oil properties to prevent the premature abandonment of producing oil wells, thereby extending the useful lives of these wells.
- The Department of the Interior issued the first Department-wide policy for oil and gas, *A Balanced Approach to Managing Oil and Gas Resources*.

Livestock Grazing

- The BLM authorized livestock grazing for more than 17,000 operators on about 164 million acres of public land in 16 Western States, providing 10.1 million animal unit months of grazing. A significant portion of the cattle and sheep produced in the West graze on public rangeland.



Issuing permits for a mining operation involving locatable minerals (copper, lead, placer gold, etc.) is a complex procedure. There are numerous federal, state, and local permits and authorizations, all of which affect the mine operator. In Arizona, no single agency exercises overall control over the permitting processes, so no single operator, regulator, or agency had a complete picture of all the permits and approvals involved in the process.

To meet this challenge head-on, the Arizona BLM State Office used a statewide National Environmental Policy Act (NEPA) analysis to identify almost all of the permit steps needed to bring a "generic" small-scale operation onto public lands. The goal was to create uniform benchmarks and standard operating procedures to make life easier for everyone.

Developing the statewide document gave the Arizona BLM valuable knowledge of mine permitting in Arizona. The BLM then hosted a free one-day seminar in March 1998 to share their knowledge with the mine operators. Over 100 operators and members of the public attended to hear presentations by the BLM, other federal agencies, Arizona State agencies, and county officials.

This successful event supplemented another key effort by Congressman J.D. Hayworth and Arizona's State Mine Inspector, Douglas Martin: the Arizona Mining Summit. The aim of this Summit was to reduce and streamline the permitting workload on the mining industry while maintaining adequate environmental safeguards.

One of the products to come out of all of this work was a permit guide to help operators navigate the permitting process. This guide will lead to a better informed public, improved cooperation among regulators, better prepared operators, and a better designed operation. A second product was a streamlined permit determination checklist developed by the Arizona Department of Environmental Quality.

... The goal was to create uniform benchmarks and standard operating procedures to make life easier for everyone...

Timber Sales

Approximately 260 million board feet of timber were sold from the public lands, with most of this timber (97 percent) coming from Oregon. Sales of nontimber forest products totaled less than \$1 million, but local economic impacts were probably significant.

Lands and Realty

- The BLM completed withdrawal review on 207,823 acres of federal lands.
- The Bureau exchanged 89,000 acres of federal land for 40,800 acres of private land and 10,528 acres of BLM land for 65,330 acres of land owned by the states. Lands acquired will be used for the conservation and protection of natural resources.
- In Alaska, the BLM conveyed 1,035,905 acres under Alaska State Conveyances, 625,391 acres under Alaska Native Corporation Conveyances, and 586 parcels of Alaska Native Allotments.



Preserving Our Cultural Heritage

The BLM is steward for the federal government's largest, most varied, and scientifically most important body of archaeological and historical resources—an estimated 4 to 4.5 million cultural properties. These range in age from various early human occupation sites such as the 11,700-year-old Mesa Site in Alaska's Brooks Range to the remains of Spanish period exploration and settlement, and more recent historic sites documenting westward migration.

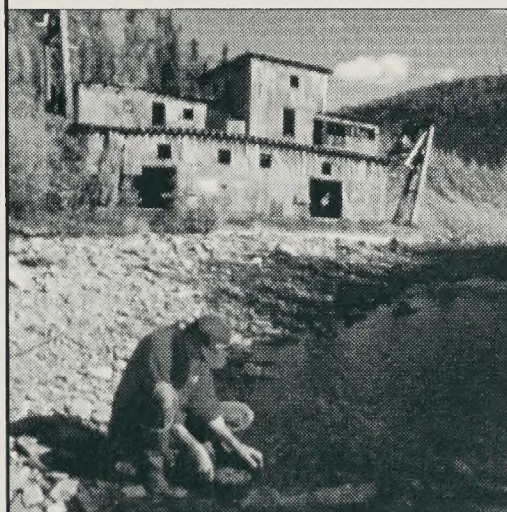
In fiscal year 1998, the Bureau continued its efforts to protect our Nation's cultural heritage by inventorying 507,491 acres for cultural resources, recording 7,687 properties, and issuing or continuing in effect a total of 570 study or management permits (excluding permits for paleontological collecting). To date, the Bureau has inventoried a total of 13.4 million acres and recorded 220,809 cultural resource properties. Of these, 248 are listed on the National Register of Historic Places, with 22 listed as National Historic Landmarks, helping assure that these properties will be protected and preserved for future generations.

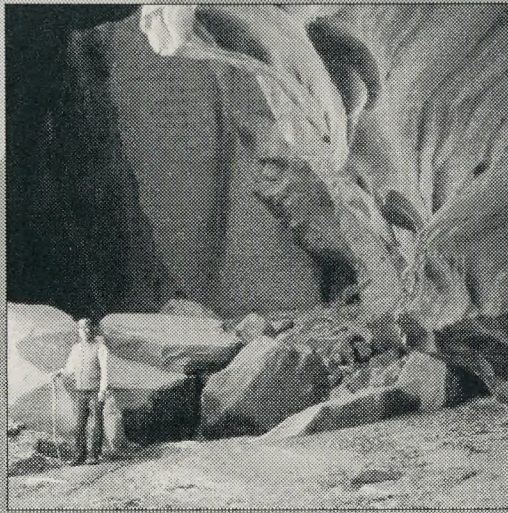
Noteworthy accomplishments occurred in the following specific areas:

- The BLM established data-sharing arrangements with State Historic Preservation Offices. Data-sharing efforts are currently underway in all western BLM State Offices.
- In fiscal year 1998, the BLM initiated the *Museum Partnership Program* to support the scientific and educational use of museum collections originating from the public lands, and to examine the exhibit potential of these collections. Five grants were funded for the San Diego Museum of Man, Western Wyoming College, the New Mexico Museum of Natural History and Science, the Arizona State Museum, and the Society for Vertebrate Paleontology.
- In fiscal year 1998, the BLM launched a major effort to locate non-Federal curatorial facilities holding museum objects originating from BLM-administered lands. To date 189 such facilities have been identified, including 123 holding archaeological collections and 84 curating paleontological materials. Millions of museum objects are housed in these curatorial facilities scattered in 34 states and Canada, where they are kept in safeguarded and unimpaired condition.
- To date, the BLM has published 19 *Federal Register* Native American Graves Protection and Repatriation Act "Notices of Inventory Completion" and 11 newspaper "Notices of Custody Determination." These notices resulted in identifying 464 individual human remains and about 11,230 objects for potential repatriation to affiliated tribes, enabling the Bureau to honor its obligation to return human remains and funerary objects to Native American tribes.

Preserving Our Natural Heritage

A total of 739 Areas of Critical Environmental Concern encompassing over 13.1 million acres have been designated nationwide on the public lands to protect important historical, cultural, scenic and natural areas or to identify areas where hazards to human life and property exist. About 7 million of these acres have been designated to protect biological resource values.





Two summers ago, Elko Field Office Archaeologist Bryan Hockett entered a long forgotten cave in north-east Nevada and stepped back nearly 50,000 years in time. What Bryan had rediscovered was a unique treasure that contains one of the most significant records of past plant and animal life found in the West. Much of the evidence found previously led back only about 15,000 years.

“...the refrigerator-like conditions in the cave...kept the bones and seeds and even the hair of animals long extinct, extraordinarily preserved even though they were 40,000 to 50,000 years old...”

To find out what secrets the cave holds, the Elko Field Office has embarked on an effort to collect baseline information on potential paleontological, geological, and biological resources. Scientists from the Desert Research Institute, the Utah Geological Survey, and Intermountain Research have contributed their substantial knowledge of Nevada's changes in climate, vegetation, and animal life to this baseline study effort. The BLM is also working with the Northeastern Nevada Museum in Elko to establish a permanent display of the find.

“I didn't realize the importance of the find at the time,” says Bryan, “because the refrigerator-like conditions in the cave—temperatures around 40 degrees Fahrenheit and humidity at 98 percent—kept the bones and seeds and even the hair of animals long extinct, extraordinarily preserved even though they were 40,000 to 50,000 years old.” Now, thanks to the alertness and dedication of one BLM archaeologist, a one-of-a-kind window on the past has been opened for all of us to benefit from.

The BLM continued its stewardship of 136 Congressionally designated wilderness areas (5.2 million acres) and its management of 622 wilderness study areas (over 17 million acres). The Bureau also continued to manage 34 Wild and Scenic River segments totaling 2,038 miles, including 392 miles of the Fortymile River in Alaska, the longest designated river in the National Wild and Scenic Rivers system.

In addition, the BLM exercised stewardship responsibilities for eight National Conservation Areas (11.7 million acres), eight National Historic Trails, two National Scenic Trails, 26 National Recreation Trails, one National Scenic Area (101,000 acres), one National Recreation Area (1 million acres), 43 National Natural Landmarks (600,000 acres), 152 Research Natural Areas (347,000 acres), five World Heritage sites, three Biosphere Reserves, and two Globally Important Bird Areas (56,500 acres).

The Bureau also continued to move forward in managing the Grand Staircase-Escalante National Monument. This Monument, which was created by Presidential Proclamation September 18, 1996, is a dramatic, multi-hued landscape that is rich in both natural and human history. Extending across 1.9 million acres of Utah public lands managed by the BLM, the Monument represents a unique combination of archaeological, historical, paleontological, geological, and biological resources.

The Bureau is working closely with state and local government officials and citizens to protect the land while allowing, within the proper conservation context, a number of traditional uses that will help keep people on the land and preserve our Western heritage. In fiscal year 1998, the BLM completed its Draft Management Plan for the Monument. In 1999, the Bureau will complete a public review period and then issue the final version of the Management Plan.

In California, federal and state officials moved forward with a deal involving acquisition of 7,500 acres of old-growth redwood forest in an area referred to as the Headwaters. The Headwaters is the largest privately held old-growth redwood forest in existence. The BLM has been designated by the Secretary of the Interior to manage the acquisition. Congress has appropriated \$250 million and the California Assembly \$130 million to purchase the land; finalization of the deal is anticipated in early 1999.

In fiscal year 1998, the BLM undertook several paleontological projects that resulted in the recovery of some of the most complete

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fossil specimens ever found, the identification of new species, and the recovery of new exhibit materials. These include:

- A project in New Mexico with the New Mexico Army National Guard, the Bureau of Indian Affairs, and the New Mexico Museum of Natural History to recover what may be the most complete Pentaceratops skull and the most complete skeleton of a carnivorous dinosaur yet found in New Mexico.
- A project with University of Alaska paleontologists to investigate trackways of what may prove to be three new species of dinosaurs reported from the North Slope, along with an impression of skin texture.
- An effort with the Denver Museum of Natural History to recover specimens of Cretaceous period ammonites near Kremmling, Colorado, which will be used in a major new exhibit at the museum.
- A cooperative project with the Garden Park Paleontological Society to complete preparation of a Stegosaurus that will go on display at the Denver museum next year.
- A multi-institutional investigation of the Red Gulch Dinosaur Tracksite in Wyoming, which may turn out to be one of the most extensive such localities in the world and which has the potential to reveal much about dinosaur behavior and the environments in which they lived.

In addition to the above field endeavors, the BLM issued its first general brochure on fossil collecting and its first paleontology program manual and handbook.



Wild Horses and Burros

More than 44,000 wild horses and burros in 201 herd management areas roam the Western public lands; most are found in Nevada. The BLM seeks to ensure a healthy, viable population of wild horses and burros within the limits of available public land resources.

In 1998, a total of 6,389 wild horses and burros were removed from the range, while 7,844 animals were adopted through BLM's popular Adopt-A-Horse or Burro program. The remaining animals are still in our facilities awaiting adoption. The Adopt-A-Horse or Burro program is very active in the continental United States; approximately 100 adoptions are held across the country each year.

In addition, the Bureau accomplished the following:

- Established and chartered the Wild Horse and Burro Advisory Board.
- Published new regulations rescinding the ability of adopters to use power of attorney to adopt an animal.
- Increased compliance inspections of adopted animals to ensure the humane treatment of wild horses and burros.
- Improved monitoring to prevent wild horses and burros from being sent illegally to slaughterhouses.
- Developed and implemented a successful Internet adoption site. This site (www.adoptahorse.blm.gov) has been visited by over 70,000 people since its inception in late spring. It has proven to be a highly effective way to reach a diverse group of wild horse and burro enthusiasts across the nation.

Threatened and Endangered Plants and Animals

The public lands encompass unique and unusual natural areas that provide habitat for more than 8,000 native fish, wildlife, and plant species. Many of these special habitat areas are critical for the protection and recovery of more than 350 plant and animal species that are either listed or candidates for listing under the Endangered Species Act. The BLM manages these areas in cooperation with state fish and wildlife agencies that are responsible for managing animal populations.

Examples of BLM's accomplishments in protecting special status species and their habitats include the following:

- The Gunnison Sage Grouse conservation assessment and strategy was completed. This strategy outlines the current health of the habitat and population of this unique species of sage grouse, identifying over 200 long-term actions over the next 15 years designed to achieve key conservation objectives.
- Alaska BLM completed a 23-million-acre land cover mapping project for the National Petroleum Reserve on the North Slope of Alaska using a combination of satellite imagery and field personnel.



Public lands are truly Lands of Discovery; inventories for special status plants and wildlife keep turning up unexpected surprises and expanding our knowledge of species' occurrence and distribution. Recent discoveries include two previously undescribed subspecies of Arctic char in Alaska; new roosts for endangered lesser long nosed bats in Arizona; a new proposed species of sage grouse in Colorado; four state listed plants on 200 acres in the Florida panhandle; documentation of phainopepla nesting near Las Vegas, Nevada; and a nesting pair of Mexican spotted owls in a tributary canyon to the Green River in Utah, well north of their previously known distribution. Much more remains to be discovered.

- Arizona BLM was chosen as the release site for 12 California condors, the second release of this endangered bird back into the wild. The condor recovery effort is a cooperative effort involving the BLM, the U.S. Fish and Wildlife Service, the State of Arizona, and the Peregrine Fund. Nine additional condors will soon be released, bringing the total free-flying condor population in Arizona to 23 birds.
- California BLM, along with its federal, state, and local partners, completed significant portions of the West Mojave, Northern and Eastern Mojave, and Northern and Eastern Colorado Coordinated Management Plans. These collaborative planning efforts, which cover 22.2 million acres, are intended to protect the habitat of nearly 100 plant and animal species, including the California desert tortoise and Mojave ground squirrel.
- The BLM acquired 26 acres of habitat near Moapa, Nevada, that is critical habitat for the Moapa dace and other special status species of aquatic organisms. The property is being managed by the U.S. Fish and Wildlife Service.
- The Bureau in Utah continues to implement a variety of habitat improvement projects designed to restore aquatic habitats for the Colorado River cutthroat, as well as projects in the Bitter Creek and Willow Creek drainages in the Book Cliff Mountains. The projects are being carried out cooperatively with the State Division of Wildlife Resources, the Rocky Mountain Elk Foundation, and Safari International.



Reducing Threats to Public Health, Safety, and Property

The Bureau's stewardship responsibilities include protecting public lands and facilities from unauthorized uses, illegal dumping, unsafe conditions, vandalism, theft, and wildfires. These challenges are met by making prevention a priority, while also maintaining BLM's traditional level of response capability and responsiveness.

Fire Management

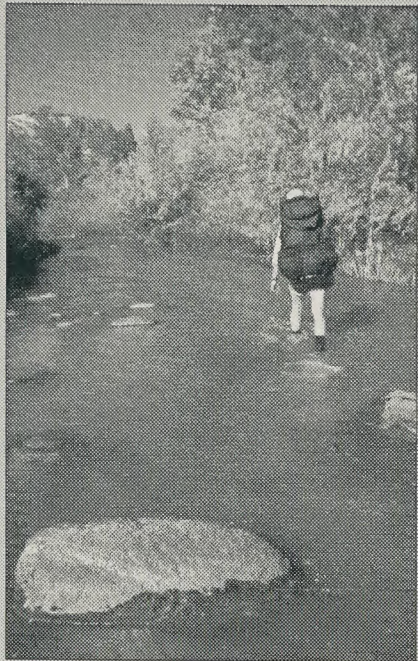
- The 1998 fire season was affected by the unusual El Niño weather pattern. A mild winter followed by a very wet spring delayed the start of most BLM wildland fire suppression operations, as fuels did not begin to cure until late June over much of the West. Overall, fire activity was below normal on BLM lands.

- Numerous BLM firefighting crews, management personnel, and equipment assisted firefighting efforts in Florida, which experienced its worst fire season in decades. BLM resources were also sent to assist our neighbors to the north and south when Canada, Mexico and Central America experienced extreme wildfire activity.
- The Bureau significantly increased prescribed fire and hazardous fuels treatment in 1998 to reduce fuel accumulations that contribute to unnaturally large wildfires.

Law Enforcement and Resource Protection

- BLM law enforcement implemented LAWNET, an automated incident-based system for reporting and tracking incidents that occur on public land. LAWNET meets the national incident-based reporting standards established by the Federal Bureau of Investigation.
- U.S. Border Patrol reinforcements at major points of entry pushed illegal aliens and smugglers to more remote, less-guarded locations along the border with Mexico. The result was a significant increase in smuggling of illegal aliens across public lands. To deter illegal crossings, the BLM led several joint law enforcement operations with the U.S. Border Patrol, the California Highway Patrol, and the Riverside County Sheriff's Department.
- BLM officers from Colorado and Utah joined state and local law enforcement agencies in the search for suspects wanted in the homicide of a police officer near the Four Corners area.
- The Bureau worked with local and federal law enforcement officers to eradicate over 82,000 marijuana plants being cultivated on or adjacent to public lands, participated in the seizure of over 3,800 kilos of processed marijuana smuggled across public lands, and seized 12 drug labs.
- A BLM investigation contributed to the successful prosecution for criminal violation of the Archaeological Resource Protection Act. This was the first successful prosecution of a private company under the Act; the company agreed to pay more than \$5,000 in fines and restitution. A total of 71 incidents of Archaeological Resource Protection Act violations were reported in 1998.

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In February 1998, on the 25th anniversary of the Clean Water Act, the President formally unveiled the Administration's Clean Water Action Plan. The three major goals of the Plan are protection of public health from hazards associated with water pollution, control of polluted runoff, and improvement of water quality on a watershed basis.

Removal actions on public land
(Relatively short-term, rapid responses to a release or threat of release)

1996	155
1997	182
1998	162

Remedial actions on public land
(Longer term responses consistent with a permanent remedy)

1996	7
1997	11
1998	15

Abandoned Mine Lands

BLM's primary role in implementing the Clean Water Action Plan is remediating abandoned mine lands. The Bureau's strategy is to form partnerships with states and other federal agencies to leverage funding and to target resources on state priority watersheds where former mining sites are contributing to water quality problems.

Abandoned mines can be significant sources of water pollution. During 1998, BLM continued working with states and federal agencies to leverage resources and clean up polluted watersheds:

- The BLM established an anaerobic bioreactor to treat acid mine drainage from an abandoned mine in Colorado's upper Animas River watershed; acid mine drainage will also be diverted from mine wastes at two adjacent sites, and tailings will be relocated out of the floodplain at an abandoned millsite.
- The State of Montana, the U.S. Geological Survey, and the BLM collaborated on clean up of the Boulder River; a total of 500,000 cubic yards of mine tailings were removed from High Ore Creek at the Comet Mine and placed in a designated mine waste stabilization site.
- The BLM and the State of Utah conducted baseline studies to support future cleanup projects in the Cottonwood Wash watershed area.
- The Bureau acquired 1,000 acres of land adjoining Clear Creek in California's Shasta County that has been heavily impacted since the 1849 Gold Rush; this acquisition is being viewed as a springboard for grants to allow restoration and reclamation of important salmon and steelhead fisheries as well as other wildlife habitat.

Hazardous Materials Management

- In 1998, the Bureau discovered 131 sites on public land where releases of hazardous substances were suspected, almost double the number found in 1997. Close to half of the new discoveries were at inactive mines and mill sites, where environmental problems ranged from unstable tailings to abandoned drums and dynamite. Other discoveries on public land included fuel and chemical spills, trespass dumping of pesticide containers, illegal drug labs, and an errant test missile.

- Comprehensive inventories in the 1980s and early 1990s uncovered large, complex hazardous substance releases affecting public lands. Recently discovered releases are typically smaller and easier to resolve. Consequently, the BLM was able to maintain a 78 percent closure rate (where no further remedial action is planned), the same as in 1997 and up from 76 percent in 1996.

Facilities Maintenance

- The Bureau developed its national 5-Year Deferred Maintenance Plan for fiscal years 2000 through 2004. This plan identifies and prioritizes 337 deferred maintenance projects valued at \$52.2 million. Critical health and safety projects were given the highest priority, followed by critical resource protection and critical mission projects.

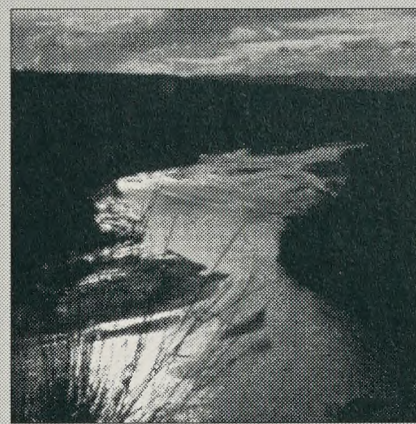
Health and Safety

- The BLM reviewed and analyzed open Office of Workers' Compensation Program (OWCP) claims to determine which claims should be closed or reevaluated, and to identify employees who should be returned to work. In addition, the Bureau is reviewing and analyzing all new OWCP cases to determine what preventive measures can be taken to preclude OWCP claims and reduce costs.
- The Bureau supervised lead dust cleanup at a former Bureau of Mines foundry and research facility in Rolla, Missouri.

Land, Resource, and Title Information

The BLM has extensive historical and current information about land ownership, use, and condition in the United States. The agency performs cadastral surveys and produces information to support a variety of land management activities for a number of agencies. Historical data on patented lands, along with information on the mineral estate, resource conditions, and permits or leases on federal lands, is provided on a daily basis.

The BLM responds to thousands of requests for information every year and has improved customer access and use of this information. Cadastral survey information for 24,412 townships and over 2 million General Land Office (GLO) land title records have been converted to digital form and are more readily accessible to decision



An intense El Niño rain on July 19, 1998, washed out a diversion dike and flooded the Golden Green Placer Mine, which is located on tribal land in southern Arizona. Floodwaters ruptured a pipeline connecting two above-ground fuel tanks, causing a 3,000-gallon diesel fuel spill. The contamination covered a 10-acre area and extended over one-half mile down the drainage. Two months after the spill, the claimant had excavated the contaminated material and achieved a cleanup level of 50 parts per million on most of the site. The authorized land user, a small family-owned business, took responsibility immediately, demonstrating an outstanding land stewardship ethic and protecting public land health on behalf of all Americans.

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counties of
origin....*

makers as well as the public through the use of Internet and GIS technologies.

The public is performing online Internet searches for information and subsequently downloading digital data or filing requests for historical information directly with BLM offices. As one example, the Bureau's General Land Office Records website (www.glorerecords.blm.gov), during its first five months, recorded almost 400,000 visitors who looked at more than 5 million pages of records. During one week alone, visitors to this site electronically requested 500 copies of patent records from BLM's Eastern States Office. Major initiatives have been undertaken to produce and maintain this information in partnership with local and state governments, as well as other federal agencies, to ensure that consistent and accurate information is provided.

The Bureau continued to make progress in consolidating its public land records through the Automated Land and Mineral Record System (ALMRS). In addition to extensive software testing and predeployment preparation, the BLM completed the following actions in fiscal year 1998:

- Completed initial software development of Release One and conducted an Operational Assessment, Test, and Evaluation (OAT&E). OAT&E results indicated that additional work will be needed to make the system efficient for users.
- Initiated software development for Release Two.

Economic and Technical Assistance

BLM-managed public lands generate substantial revenue from multiple use activities, much of which is returned in direct payments to the states and counties of origin. These payments are distributed to local governments to pay for such things as schools, roads, and employee salaries.

Each year, the Bureau calculates and sends the Payments in Lieu of Taxes (PILT) to counties. These payments are intended to offset property tax shortfalls (under a Congressional formula) occurring in counties with tax-exempt federal lands administered by the BLM and other agencies. In 1998, a total of \$118.8 million in PILT payments were made.

Restoring and Maintaining the Health of the Land

Working with others to restore and maintain the health of the land is the foundation for everything the BLM does. Livestock grazing, timber harvesting, hunting, fishing, and other benefits from the public lands can be sustained over time only if the lands are healthy.

In managing the public lands, the BLM emphasizes actions to achieve the following conditions:

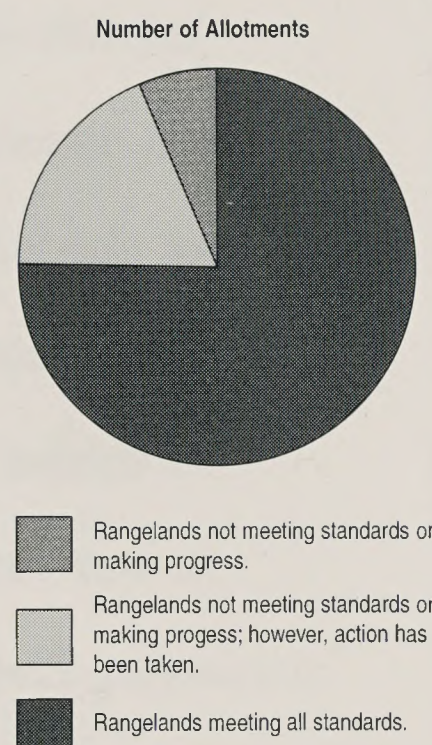
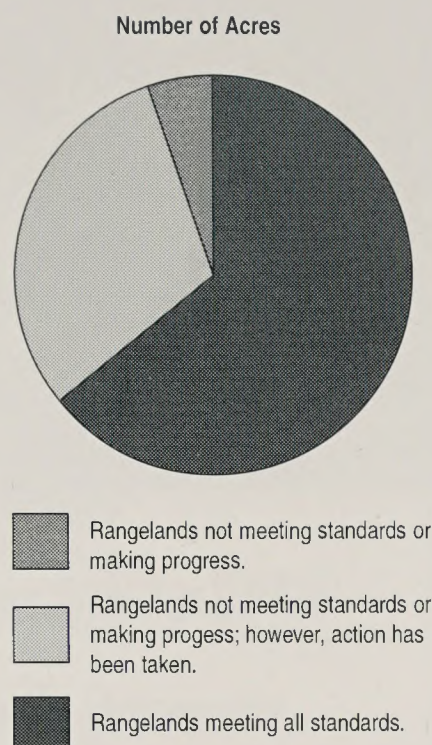
- Watersheds are in—or are making significant progress toward—properly functioning physical condition, including their upland, riparian-wetland, and aquatic components; soil and plant conditions support infiltration, soil moisture storage, and water release rates that are in balance with climate and landform, as well as maintaining or improving water quality, water quantity, and flow timing/duration.
- Ecological processes—including the hydrologic cycle, nutrient cycle, and energy flow—are maintained, or there is significant progress toward their attainment, in order to support healthy plant and animal populations and communities.
- Water quality complies with state water quality standards and achieves—or is making significant progress toward achieving—established BLM management objectives such as meeting wildlife needs.
- Habitats are—or are making significant progress toward being—restored or maintained for federal threatened and endangered species or other special status species.

Specific accomplishments are described below for rangelands, riparian/wetlands areas, forests, and other areas. Brief background information is given, and a few examples among hundreds of BLM accomplishments are presented.

Rangeland Health

Rangeland health is described in accordance with three categories, depending on whether rangelands are meeting health standards and/or making significant progress. The accompanying charts show how BLM-managed rangelands were ranked in fiscal year 1998.





- Rangelands meeting all standards or making significant progress toward meeting the standards.

Number of Acres: 6,057,599 Number of Allotments: 488

- Rangelands not meeting all standards or making significant progress toward meeting the standards, but appropriate action has been taken to ensure significant progress toward meeting the standards.

Number of Acres: 2,876,171 Number of Allotments: 118

- Rangelands not meeting all standards or making significant progress toward meeting the standards.

Number of Acres: 497,529 Number of Allotments: 41

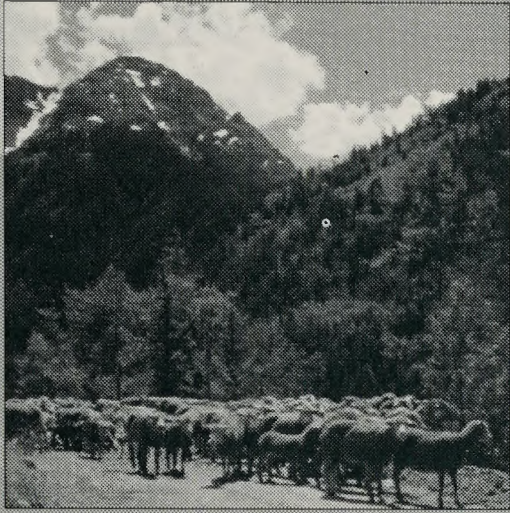
In fiscal year 1998, the BLM completed ecological site inventories on over 1 million acres. This information improves BLM's understanding of the potential for these rangelands.

Livestock grazing under permits or leases is a significant use of the public rangelands. In 1998, the BLM administered livestock grazing on more than 17,000 allotments encompassing over 160 million acres. The Bureau has developed a policy of systematically reviewing terms and conditions during permitted use or at lease renewal. This review process considers the concerns or requirements for rangeland health, other resource values, and environmental compliance. The figures shown in the accompanying charts reflect BLM's commitment to ensuring that future permitted and leased grazing on the public lands is conducted in a manner that is compatible with sustainable, healthy rangelands.

The Emergency Fire Rehabilitation Program responds quickly to prevent additional resource damage following wildfires on range and forest lands. In fiscal year 1998, the BLM implemented 52 emergency fire rehabilitation projects in Colorado, Idaho, Nevada, Oregon, and Utah to protect over 84,000 acres from degradation at a cost of over \$5 million. A first-ever National Level Emergency Fire Rehabilitation Workshop attracted over 80 participants.

In its ongoing efforts to eradicate invasive weeds on our Nation's public lands, the BLM worked with its partners to accomplish the following:

- Co-hosted the "Science in Wildland Weed Management" symposium with the U.S. Forest Service, U.S. Fish and Wildlife Service, National Park Service, The Nature Conservancy, and



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The *Standards for Rangeland Health and Guidelines for Livestock Grazing Management*, developed in the mid-1990s with the assistance of 24 broadly constituted Resource Advisory Councils and approved by the Secretary of the Interior, are being used in several ways. The information gained in assessing rangelands against the standards has been an important communication tool. In addition, addressing rangeland health in terms of the standards is aiding in identifying the causes of resource problems so that effective corrective actions can be taken. The guidelines serve to help identify appropriate management actions that will best meet the standards in each particular circumstance.

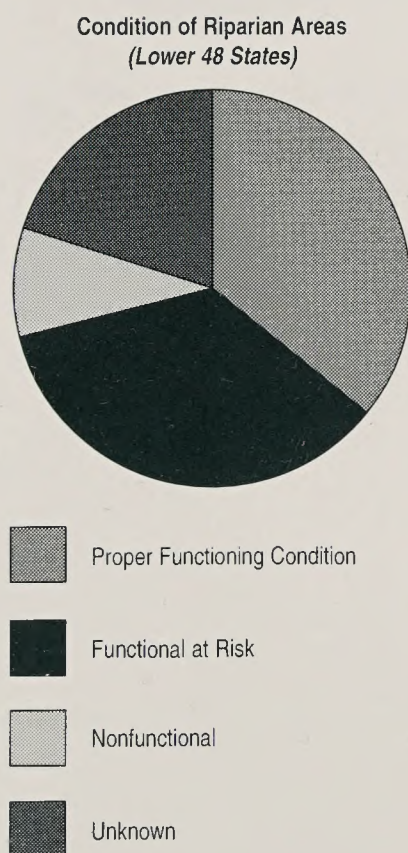
Additionally, they are providing a clear statement and common understanding of the expected resource conditions and acceptable management practices. This common understanding is allowing the livestock operator and BLM manager to design management practices and actions to achieve conditions on the ground that are consistent with established standards.

the Western Society of Weed Science. Approximately 200 scientists and managers from federal, state, and local government; industry; universities; conservation organizations; and other public interest groups identified twelve action items addressing invasive plant issues.

- Cooperated with county, federal, state, and private partners to treat approximately 127,000 acres of land to prevent and control the spread of noxious weeds and invasive plants and improve the health of vegetation communities.
- Produced and aired a televised broadcast from the BLM National Training Center entitled "The Road to Successful Weed Management." This broadcast enhanced knowledge and awareness for 350 viewers interested in fighting the weed problem.
- Cooperated, through the BLM National Weed Team and Environmental Education and Volunteers Group, in developing several education and awareness tools for use in the field. Over 1,000 weed tool kits were distributed to field offices, and a weed exhibit was developed for use at meetings, fairs, and other public events.

Water, Riparian Area, and Wetland Health

Riparian areas are green vegetation zones along flowing water features such as rivers, streams, and creeks; they are reported in miles. Wetlands are areas associated with standing water features such as bogs, marshes, wet meadows, and estuaries; wetlands are reported in acres.



- The Bureau has completed functional assessments on 80 percent of its riparian areas, assessing 4,000 miles of riparian habitat in eleven western states in fiscal year 1998.
- In fiscal year 1998, the Bureau developed or maintained 1,200 on-the-ground projects designed to restore riparian-wetland areas to proper functioning condition. As just one example, BLM's Farmington Field Office increased the success of riparian cottonwood pole plantings by using intensive soil mapping and soil testing techniques to select planting areas and by installing protective fencing around each tree.
- The Bureau also revised management prescriptions to improve riparian-wetland conditions on 820 miles of streams and 8,900 acres of wetland areas.

- California BLM received a \$3.7 million grant from the David and Lucille Packard Foundation for land acquisitions and easements along the Sacramento River. This grant is one of the largest the Bureau has ever received.
- The BLM continued to achieve reductions in salt load pickup from saline soils in Colorado River Basin watersheds. For example, Colorado reduced dissolved solids yields approximately 8,000 tons through vegetation management, improved management of off-highway vehicle use, and construction of watershed improvement structures.

Forest Health

The BLM is restoring and maintaining forest health by reducing stocking in overly dense stands, salvaging dead and dying timber, protecting forests from insects and disease, and reintroducing fire into forest ecosystems to help restore natural conditions. Additionally, measures are taken to ensure that reforestation takes place following harvesting and major disturbance events.

Reforestation (Acres)	Forest Stand Treatments (Acres)
45,000	35,800

One example is BLM's Arizona Strip Field Office, which is working in partnership with Northern Arizona University and the Arizona Game and Fish Department on a project on Mt. Trumbull to improve the health of the forest ecosystem by restoring ponderosa pine forests to presettlement conditions. Fire is also being reintroduced into the forest to maintain presettlement conditions and improve biological diversity. The project is in its third year, and eight restoration units (approximately 1,000 acres) have been treated or are in the process of being treated through commercial and noncommercial tree removal, prescribed burning, reseedling, or a combination of these treatments.

A second example is the Medford District in Oregon, which is continuing an aggressive program of forest health restoration. A number of projects are ongoing to reduce forest densities, reduce fuel loadings and restore tree and shrub communities. These projects have been designed in collaboration with the Applegate Partnership, a diverse community group established to help guide federal actions.

*...BLM is
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The Little Mountain Habitat Enhancement Project in southwestern Wyoming is a 200,000-acre multiyear, multi-watershed cooperative endeavor with conservation organizations, other agencies, a livestock permittee, and local landowner to improve habitats for a variety of wildlife—elk, mule deer, pronghorn antelope, birds of prey, neotropical migratory birds, and Colorado River cutthroat trout—as well as to improve livestock management. A combination of land treatments and structural improvements is being used, including using prescribed fire, planting trees, fencing streams, and installing instream revegetations. One indicator of the benefits is that Colorado River cutthroat populations have increased from just 7 fish per mile to 425 fish per mile.

Restoring the Health of the Land

The BLM is responsible for maintaining the health of fish and wildlife habitat on public lands. The following table summarizes accomplishments for fiscal year 1998:

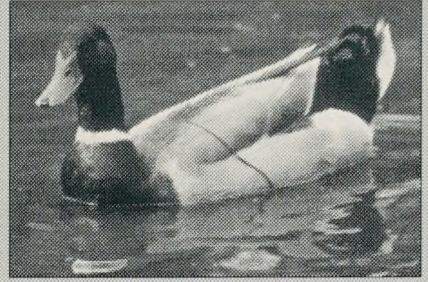
Restoration Treatments (Acres/Miles Treated)	New Management Prescriptions Developed	Habitat Inventory Completed
Riparian/Wetland Habitats 5,833 Acres	Riparian/Wetland Habitats (Not reported in above format)	Riparian/Wetland Habitats 20,000 Acres/6,000 Miles
Upland Habitats 193,000 Acres	Upland Habitats 1,200,000 Acres	Upland Habitats 6,000,000 Acres
Stream/Lake Habitats 5,541 Acres/298 Miles)	Stream/Lake Habitats 1,500 Acres/550 Miles	Stream/Lake Habitats 1,500 Acres/1,000 Miles

Listed below are a few specific examples of BLM's accomplishments, in collaboration with others, in restoring and maintaining the health of the land to benefit fish and wildlife habitat, water quality, recreational opportunities, and other resource values.

- Bureau biologists are working throughout the West to improve fisheries habitat through a wide variety of methods, including replacing exotic plants with native species. Additional habitat improvement projects include fencing, modified grazing strategies, in-stream modifications, and the replacement of old culverts with less intrusive bridges.
- In Colorado, Arizona, Idaho, Nevada, and California, the BLM has been actively involved with state game and fish agencies to remove exotic fish and restore native fish communities. This work often requires the placement of a fish barrier and/or a fish diversion structure.
- Experienced BLM fish and wildlife professionals in Oregon, Washington, and Idaho are providing technical assistance and expertise to many of the 80-plus watershed councils and associations in the Pacific Northwest, which are composed of local citizens; federal, state and local government representatives; individual landowners; and others working together to improve watershed conditions for anadromous fish, healthy forests, municipal needs, recreation, and more.
- Since 1984, when the 178,000-acre Hawk Creek fire decimated ponderosa pine forests in the Bull Mountains of Montana, there

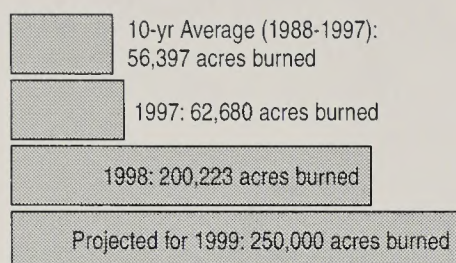
has been no ponderosa reproduction or recovery. The BLM, in cooperation with Montana Fish, Wildlife, and Parks, is giving Mother Nature a helping hand through reforestation efforts to restore important habitats for wild turkeys, elk, and other wildlife.

- California BLM planted 150,000 trees, along with shrubs and grass plugs, to help reduce erosion and sedimentation of the Trinity River in an effort to restore fish habitat for salmon and steelhead trout. Another 100,000 trees will be planted during the next growing season.
- Field offices in western Oregon and northern California continue to decommission old abandoned logging roads in several watersheds throughout the coastal mountain ranges. These older roads are believed to be a major source of sedimentation into streams.
- The Richfield District in central Utah improved 3,000 acres of crucial big game winter range in cooperation with the State Division of Wildlife Resources and the Foundation for North American Wild Sheep.
- The Bureau's Fisheries Program is actively involved in supporting the Recreational Fishing Initiative that was established as the result of Executive Order 12962 of June 7, 1995. The BLM is working to improve instream and riparian habitat, improve water quality, enhance native recreational fish species on public lands, and provide universally accessible facilities for anglers, as well as participating in a variety of education and outreach programs to teach young people the joys of angling.
- The BLM works with Trout Unlimited and the National Fish and Wildlife Foundation to fund projects under the Bring Back the Natives initiative. Other partnerships involve B.A.S.S., Inc., the American Sportfishing Association's National Fishing Week program, tackle manufacturers, and other federal, tribal, and local governments in a variety of activities to enhance the public interest in angling and aquatic habitats that support recreational fish species.
- The Bureau was able to significantly increase prescribed fire and hazardous fuels treatment in 1998 because of a new funding mechanism. A \$7.5-million set-aside made it possible for the



The Blanca Wetlands, located in south-central Colorado near the border with New Mexico, have witnessed a two- to three-fold increase in visitor use, which has contributed approximately \$2 million to \$3 million a year to the local economy. The Blanca Wetlands provide 9,700 acres of protected wetlands, with more than 200 playa lakes, shallow ponds, and marshlands for over 200 species of fish and wildlife (including four federally listed endangered animals and one plant). The current wetlands complex supports over 14,000 breeding pairs of waterfowl, shorebirds, and neotropical migrant songbirds. The BLM has spent nearly \$200,000 per year for the past 5 years on conservation and recreation efforts and has received over \$500,000 in matching contributions from partner organizations.

Prescribed Fire



BLM to more than triple the number of acres treated by prescribed fire, mechanical methods, or both.

The BLM's primary role in implementing the Clean Water Action Plan involves cleaning up water pollution associated with abandoned mine lands. This activity is described in more detail in the section entitled "Reducing Threats to Public Health, Safety, and Property."

Collaborative Management

Natural resource agencies are becoming increasingly aware of the complexities involved in public land management and the effects land use decisions have on others. Land ownership patterns in the West are fragmented. Public lands are intermingled with lands owned and managed by many others. As a result, watersheds, plant and animal populations, and human uses frequently cross jurisdictional boundaries.

We are committed to managing the land and its resources for the good of both the environment and the people who rely on resources from public lands. But we know that we cannot accomplish this in a vacuum. The Bureau's land use decisions affect adjacent landowners and state, local and tribal governments, as well as BLM administered public lands themselves. Given these realities, we are dedicated to understanding socio-economic and environmental trends, being inclusive in our planning and decision-making, and implementing on-the-ground activities in partnership with others.

Understanding Socio-Economic and Environmental Trends

To sustain the health, diversity, and productivity of the public lands, land managers need sound information about resource conditions, ecological trends, and ecosystem function. The BLM is committed to using the best scientific and technical information available to make resource management decisions and to communicating that information to its partners.

The BLM is not a research organization and must rely primarily on others to conduct basic and applied research for its use. The Bureau collaborates with others on a variety of functions and across diverse geographic areas. Information that is useful to managing the public lands is gathered by many parties, including the BLM itself; other federal agencies; state, tribal, and local governments; quasi-governmental entities such as watershed councils; land grant

colleges and universities; local land users; and nongovernmental organizations such as the World Resources Institute.

In fiscal year 1998, the BLM, in collaboration with its science partners, supported and participated in numerous research projects dealing with rangeland ecosystem function and restoration, weed management, riparian improvements, minerals, threatened and endangered plant and animal species, forest ecosystem restoration, wild horse fertility and genetics, and wildfire control.

Land Use Planning

Federal environmental laws affecting the BLM, such as the National Environmental Policy Act (NEPA), the Federal Land Policy and Management Act (FLPMA), and the Endangered Species Act (ESA), require federal agencies to involve the public and consider the needs of local communities when making decisions. The BLM often finds it cannot act alone in preserving or restoring species or in ensuring the health of the public lands without all stakeholders, landowners and jurisdictions within a geographic area taking part.

The Secretary of the Interior has appointed community representatives to Resource Advisory Councils to advise BLM state and field offices on issues affecting the public lands. Many BLM field offices also participate in multi-jurisdictional planning efforts to address land use planning issues for areas containing a mix of public and private land ownerships and overlapping government authorities. These efforts depend on the ability of BLM employees and field managers to communicate and collaborate with user groups and the public.

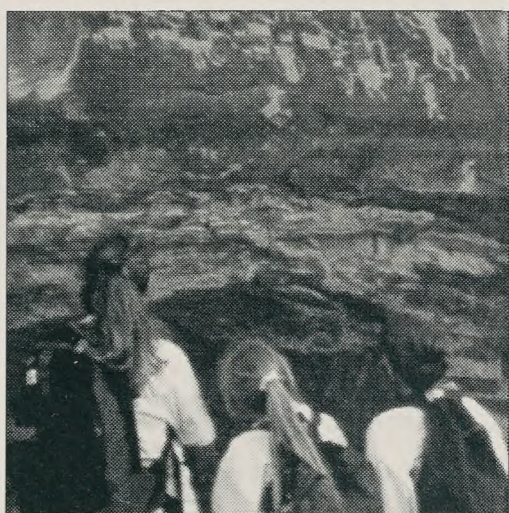
In fiscal year 1998, the Bureau accomplished the following:

- Approved three Resource Management Plans (RMPs), along with their integrated Environmental Impact Statements (the Roswell RMP in New Mexico and the Grass Creek and Green River RMPs in Wyoming).
- Completed the fourth round of appointments to 21 of its Resource Advisory Councils in the public land states, further institutionalizing this innovative approach for addressing natural resource management issues.
- Completed a field review of proposed new guidance to further integrate the Bureau's land use planning and National

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Environmental Policy Act (NEPA) compliance procedures and to facilitate cross-jurisdictional planning with other federal agencies and tribal, state, and local governments.

- Completed the third year of the interagency course "Community-Based Partnerships and Ecosystems for a Healthy Environment," which was established to train federal land managers and community partners in collaborative approaches. The Department of the Interior recently adopted this course for use on the Southwest Strategy to help build community-based strategies for resolving public land management issues associated with threatened and endangered species and riparian areas in Arizona and New Mexico.
- Helped to compile a field guide to collaborative conservation in the West and assisted in updating a workbook for rural communities near public lands in understanding their local economies. The BLM also helped adapt a system for conducting community assessments of local cultures and issues for use in geographic information systems.
- Completed a statement signed by the Chief of the Forest Service and the Directors of the BLM and National Park Service clarifying current policy on cooperating and joint lead agency provisions under NEPA. This combined statement provided state, local, and tribal governments with a single explanation of the policy on participation as cooperating or joint lead agencies in the environmental analysis process. The statement also responded to recommendations from the Western Governors Association.



Environmental Education and Volunteers

The Bureau's Volunteer Program continues to be successful, making an enormous contribution to BLM's efforts and successes.

Bureauwide, volunteers worked a total of 1,149,000 hours for a monetary value to the BLM of \$14.4 million in fiscal year 1997 (the most recent year for which data is available).

Environmental education accomplishments include:

- Publication of two *Science & Children* magazine articles, one on paleontology and one on the Columbia River Basin ecosystem, in collaboration with the National Science Teachers Association.

- Establishment of a working agreement with the USDA-Cooperative State Research, Education, and Extension Service/University of Wisconsin to identify gaps in riparian education resources and to customize a BLM riparian education module for schools.
- Presentation of teacher workshops at conventions hosted by the National Science Teachers Association convention and the National American Association for Environmental Education.
- Establishment of working agreements with the Student Conservation Association and the Environmental Alliance for Senior Involvement in building local partnerships for weed education programs, as well as completion of a weeds education toolkit for teachers.
- Continuation of the Wonderful Outdoor World (WOW) program, which provides an initial camping experience for children ages 8-12 in their local parks.

Improving Business Practices

While BLM's primary business is to restore and maintain the health, diversity, and productivity of our Nation's public lands, accomplishing this requires strong internal business and support service functions. This includes providing accurate and timely management information, paying the bills for goods and services, managing office space, maintaining vehicles, and handling financial and budget record keeping. The BLM needs supplies, equipment, and services to fight fires, maintain campgrounds, support office staff, and perform other work. All of these tasks, and many more business functions as well, are critical to BLM's ability to do its job.

This past year, the BLM continued to implement a Management Information System that will provide all Bureau employees with financial information that is up-to-date and electronically accessible. In fiscal year 1998, the Bureau:

- tested the financial management component,
- developed a Performance Measurement component, and
- initiated development of the Collections and Billings component.

The financial management component will be fully operational in early fiscal year 1999.

... While BLM's primary business is to restore and maintain the health, diversity, and productivity of our Nation's public lands, accomplishing this requires strong internal business and support service functions...

...The new charge card is providing an opportunity to completely reengineer the Bureau's credit card processes, eliminating any unnecessary steps and saving considerable time and money...

The Bureau made significant strides in activity-based costing and management. This will allow us to measure specific costs for all of our activities (e.g., authorizing livestock grazing, leasing coal, preserving our cultural heritage, etc.) and to then analyze and control these costs, saving taxpayer dollars and helping to improve customer service. In fiscal year 1998, the BLM:

- analyzed activities and tasks in Montana,
- conducted a Bureauwide analysis for the Wild Horse and Burro program, and
- began a Bureauwide analysis of all programs.

The Bureau also continued to use and develop its redesigned acquisition system, including the use of charge cards for many purchases, convenience checks for vendors who don't accept charge cards, Internet/electronic commerce and contracting, commercial item buys (instead of special orders), performance-based service contracts, and two Web-based customer service guides ("Guide to Agreements" and "Buying Made Easy Guide"). These new tools and improved business practices have enabled the BLM to work smarter, satisfy customers, increase efficiency, and obtain the best value for the taxpayers' money.

Significant strides were made in preparing the Bureau's overall finance and accounting system, the Federal Financial System (FFS), as well as other BLM automated systems, for the year 2000 (Y2K) transition. In fiscal year 1998, the Bureau converted all FFS programs and data to four-digit years and then tested this by running the old and new, converted programs using identical data inputs. Outputs from the old and new programs were then compared to ensure they were identical. In early fiscal year 1999, the BLM plans to further test all FFS programs by resetting the computer's system date to the year 2000 and then running each program with test data.

Initial steps were taken to transition to a new integrated charge card that will replace the three separate charge cards currently used for travel, purchases of supplies and equipment, and fuel and other vehicle expenses. This changeover will allow the elimination of three separate accounting and administrative systems now needed for card issuance, billing, reconciliation, review, and approval. The new charge card is providing an opportunity to completely reengineer the Bureau's credit card processes, eliminating any unnecessary steps and saving considerable time and money.

Human Resources Management

The fundamental viability of the public lands, and the well-being of those who use and work upon them, depends largely upon the professional skills and personal dedication of the men and women who staff the Bureau's nationwide organization. The BLM recognizes its responsibility for maintaining and protecting America's public domain, and it likewise accepts its concurrent obligation to develop and prepare those who will become its stewards in the years ahead.

The Bureau's employees are productive, efficient, and positive in their outlook. They can adapt to change and are able to anticipate and prepare for the future. BLM's diverse workforce has the skills and resources needed to get the job done now, and the organization is helping to prepare them for the future. Successes this fiscal year include the following accomplishments:

- "Creating a Healthy Organization," a customer-inspired initiative, was endorsed by BLM's leadership in April. This initiative promotes a dynamic and diverse workforce that is committed to public service and mission success. The BLM is investing in its workforce today and preparing for its workforce of tomorrow by creating opportunities for employee initiative, creativity, professional development, career growth, internal communication, and external outreach.
- The agency embarked on a program to develop and enhance leadership qualities in its managers, supervisors, and employees. The program, Leadership Excellence, has involved joint agency cooperation from its inception. The enhancement of leadership qualities embraces everyone, from the newest employee to BLM's senior leaders. The Bureau has adopted OPM's leadership competencies and is finding ways to instill these competencies within the workforce.
- BLM's National Training Center trained 3,512 BLM employees and 459 other employees through classroom, facilitated package, and private-vendor courses. The Center produced over 15,000 training days of classroom instruction.
- The National Training Center continued to increase employee training through satellite and computer delivery, which has allowed other agencies and organizations to become involved as well. These expanded learning opportunities include the following highlights:



Partnerships Without Borders: An international satellite event on ecotourism in conjunction with the Second Annual Conference on Natural Resources and Cultural Heritage. This Spanish-language telecast, which was simulcast in English, was transmitted to colleges and universities in Central and South America. On-air interactivity included participation from sites in Brazil, Mexico, Nicaragua, and Chile.

Managing Wildland Fire—From Policy to Implementation: An interagency telecast on the new national wildland fire policy. This telecast was extensively viewed by federal and state agencies, rural/metro fire departments, Canadian agencies, and many other organizations involved in wildland fire management and prevention.

The Road to Successful Weed Management: An interagency satellite course on weed management, emerging treatment techniques, and interagency coordination

Public Lands, Public Trust - Checks and Balances: A panel discussion of the relationship between the executive and legislative branches of government in natural resource management. Hosted by BLM's Director, this program featured Senators Robert Bennett and Dale Bumpers.

Public Lands, Public Trust - Natural Resource Management in the 21st Century: A 90-minute roundtable discussion of natural resource management beyond the year 2000, hosted by Secretary of the Interior Bruce Babbitt. Panelists included the Chief of the U.S. Forest Service and the Directors of the Bureau of Land Management, the U.S. Fish and Wildlife Service, and the National Park Service.



Customer Service

The BLM is responsible for providing cost-efficient, quality customer service. This is in keeping with initiatives such as the National Performance Review, which requires all federal agencies to take a customer-oriented approach to work processes and results.

In fiscal year 1998, the Bureau continued to implement the "Service First" program (formerly known as the "Trading Post" initiative). Under this initiative, BLM and U.S. Forest Service offices at several Colorado and Oregon locations have combined their resources and functions under one roof to more effectively and effi-

ciently serve the public with “one-stop shopping.” In addition to these “Service First” pilot efforts in Colorado and Oregon, a number of other BLM field offices have collocated with other land management agencies, with varying degrees of coordination among staffs and programs.

The Bureau completed its Electronic Reading Room on the Internet in fiscal year 1998, enabling the public to make electronic filings of Freedom of Information Act (FOIA) requests. This has allowed the Bureau to provide a faster response time for user requests. Frequently requested FOIAs, policy directives affecting the public, and frequently requested general information are now readily available on-line.

Customer research is being conducted on an ongoing basis to help us find out what is really important to our customers and partners—to recreation users, livestock operators, local government officials, and others—and to identify any barriers our own employees might face in serving customers in the field. This research will help us understand where we are now and what we need to do to improve customer service and measure the results.

The BLM continued to refine its customer research methodology and applications in fiscal year 1998 in order to strengthen its ability to work with partners and serve customers. National-level surveys were combined with local focus groups and statistical analysis to give us a clearer picture of how we are serving our customers and to highlight any areas that might require additional attention.

In fiscal year 1998, we surveyed our use-authorization customers for oil and gas, rights-of-way, land acquisitions and exchanges, grazing permits, and recreation permits. Customers voiced three common themes: “Make it simple,” “Tell me who I can call if I have question,” and “Keep me informed regarding ongoing changes in requirements.”

The 1998 survey indicated that several programs were doing better in terms of service quality since the baseline survey in 1995. For example, the grazing permittees were 7 percentage points more satisfied with service delivery, while oil and gas lessees were 10 percentage points more satisfied with communication and coordination and 38 percentage points more satisfied with the Bureau’s efforts to maintain the health of the land. However, the results also continued to point to needed improvements in process efficiency; the management of new regulatory releases and updates; and com-

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munication among BLM employees, customers, and the communities adjacent to public lands.

When asked for one improvement they would make, customers overwhelmingly expressed the desire for us to simplify their processes and to communicate more on the health of the land, together with other current issues surrounding their permit or application. The BLM's Executive Leadership Team met in mid-November 1998 to examine the survey results and plans to develop solutions over the course of fiscal year 1999.



The BLM's Management Control Program

During fiscal year 1998, the BLM corrected the oil and gas production accountability material weakness. The Bureau was also successful in completing scheduled fiscal year 1998 corrective actions on the remaining three material weaknesses: inadequate range monitoring, inadequate oversight of the Land Exchange Program, and inadequate administration and oversight of the Wild Horse and Burro Herd Management Program. Specifically, the BLM issued the final Standards and Guidelines Implementation Policy for Healthy Rangelands, finalized the BLM Land Exchange Handbook, and issued a contract for development of an Adoption Marketing Strategy.

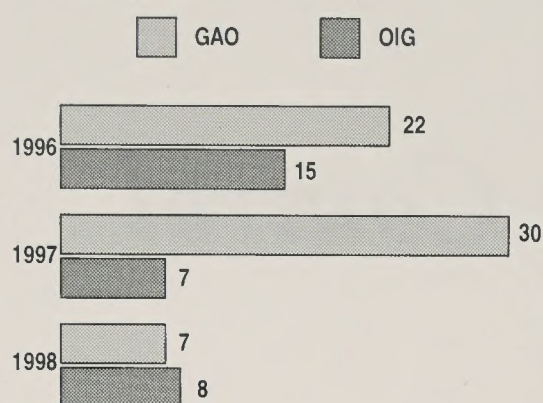
The results of management control reviews conducted during fiscal year 1998 indicate that BLM's systems of management, administrative, and financial controls provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act have been achieved.

Redesigning the Evaluation Process

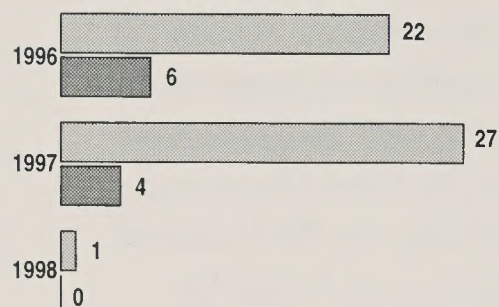
The BLM piloted some of the components of its new evaluation process through the use of self-assessment surveys administered to all BLM State and Field Offices. In addition, on-site visits were conducted at selected locations by interdisciplinary teams made up of BLM top management officials, subject matter experts, and external customers.

Based upon these survey results and on-site visits, areas of positive performance, continuous improvement opportunities, and best practices were identified. This new way of reviewing BLM programs has provided additional opportunities to share successes and to incorporate lessons learned into our day-to-day work processes. Guidance developed during fiscal year 1998 provided the frame-

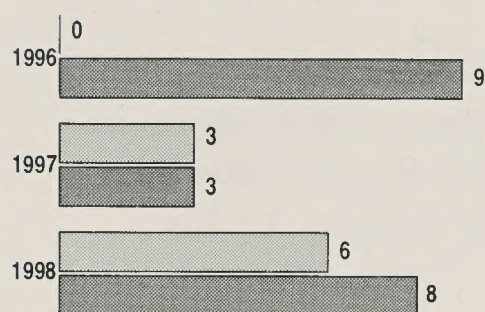
GAO and OIG Audit Activity, Fiscal Years 1996-1998, Number of Audits Initiated



GAO and OIG Audit Activity, Fiscal Years 1996-1998, Number of Audits Closed



GAO and OIG Audit Activity, Fiscal Years 1996-1998, Number of Audits Open

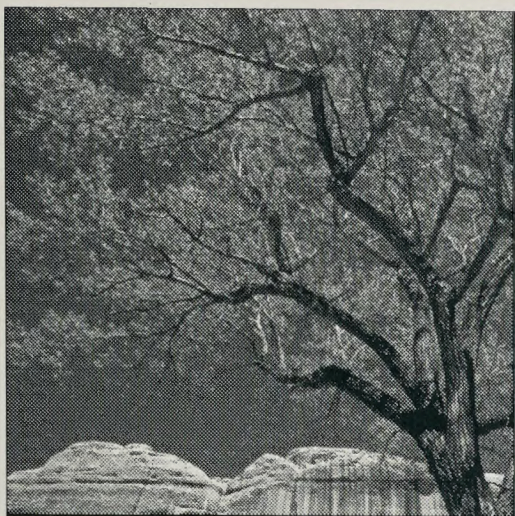


work for developing training modules to educate all BLM employees about the new evaluation process.

Audits

The Government Auditing Standards, issued by the Comptroller General, require government officials and employees to be accountable for managing public programs. Audits can be conducted by the Department of the Interior's Office of Inspector General (OIG) or by the Government Accounting Office (GAO). Audits for the past three fiscal years are summarized in the accompanying charts.

A total of 89 program audits were initiated from fiscal year 1996 through fiscal year 1998. Sixty of these 89 audits have been closed, indicating that audit recommendations have been implemented to improve management of BLM programs. The 29 audits that remain open either are awaiting final audit reports from the GAO/OIG, or are still works in progress as implementation of recommendations proceeds.



Overview of the Financial Statements

This section of the Annual Report presents BLM's financial statements. We believe these statements are a fair and accurate presentation of our financial position, net cost of operations, changes in net position, and budgetary resources, and details regarding financing. This is reflected in the unqualified audit opinion rendered on the financial statements by the independent auditors. Sound financial management is a top priority for the BLM at all levels of the organization.

Limitations of the Financial Statements

The financial statements have been prepared pursuant to the requirements of the Chief Financial Officers Act of 1990. While the statements have been prepared from BLM's books and records in accordance with the guidance provided by the Office of Management and Budget, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

The statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without enactment of an appropriation, and that payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Year 2000

In response to the need to ensure that all computers and information systems are ready for the Year 2000, the Department of the Interior has implemented an initiative to analyze and correct potential Year 2000 conflicts. The BLM is actively involved in this effort and has made significant strides in converting the Bureau's finance and accounting system and all of the related programs and reports from 2-digit to 4-digit year fields. All of the programs and reports were thoroughly tested, and during fiscal 1999, the BLM will perform further testing after resetting the system date to the year 2000. Further information regarding the Department's overall state of readiness and other Year 2000 issues, including the Department's contingency plan, is presented in the Department of the Interior's Fiscal Year 1998 Accountability Report.

Managerial Cost Accounting

Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards For the Federal Government, requires agencies to report the full cost of programs, activities, and outputs. The standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

The BLM has selected Activity Based Costing (ABC) as the methodology to accumulate cost data for effective management use and to assign costs to outputs. During fiscal year 1998, BLM management defined the Bureau's responsibility segments, analyzed activities and tasks in Montana, conducted a Bureauwide analysis for the Wild Horse and Burro program, and initiated a Bureauwide analysis of all programs to fully implement ABC during FY 99. The responsibility segments have been defined as follows:

- Maintaining Public Lands and Services - including Management of Lands and Resources, Oregon and California Grant Lands, Wildland Fire Management, Emergency Firefighting, Range Improvements, and Recreation Fee Sites;
- Economic and Technical Assistance - including Payments to States, Payments in Lieu of Taxes, and Alaska Native Corporations;
- Asset Improvement - including Natural Resource Damage Assessment/Restoration, the Central Hazardous Materials Fund, Land Acquisition, Construction, and the Highway Trust Fund; and
- Self-Financing Enterprises - including the Working Capital Fund and the Helium Fund.

Direct costs incurred in each of these activities are reported in the appropriate responsibility segment. Administrative costs and various indirect costs are allocated to the responsibility segments in a manner appropriate for each type of cost.

Deferred Maintenance

The Office of Management and Budget (OMB) made a presentation at the 1998 Financial Statement Audit Forum discussing its guidance to agencies that deferred maintenance disclosed in fiscal

year 1998 financial statements would not be audited. OMB's conclusion was that deferred maintenance disclosure is not necessary for fair presentation of the financial statements and that the required footnote can be labeled "unaudited" without resulting in opinion qualification. This is based on the Federal Accounting Standards Advisory Board conclusion that Statement of Federal Financial Accounting Standards No. 6 states that deferred maintenance is not sufficiently measurable to require recognition.

The total funding needed to address all of the BLM's deferred maintenance is difficult to estimate with any degree of accuracy because of a number of factors discussed in the footnote.

Prior Period Adjustments

Several prior period adjustments are recorded in the fiscal year 1998 financial statements. These consist of amounts that would have been recorded in the fiscal year 1997 or prior year statements had the data been available, or they represent changes, based on subsequent information, to amounts that were reported in the FY 97 or prior year statements.

- **Workers' Compensation** - When the FY 97 statements were prepared, the actuarial estimate of future costs for workers' compensation was not available. This \$54.7 million estimate would have been recorded as an unfunded liability at the end of FY 97, and the FY 98 statements would have reflected a \$2.2 million decrease in the estimate. The net actuarial estimate of \$52.5 million for workers' compensation has now been recorded as a prior period adjustment.
- **Contingent Liabilities** - In the fiscal year 1997 statements, the BLM reported the potential future outlay of \$7.9 million based on our lawyers' best estimate of the outcome of pending litigation. Our lawyers have advised us this year that the likely outcome of current pending litigation is impossible to predict. Accordingly, we have made a prior period adjustment to reverse the liability recorded in FY 97.
- **Depreciation** - During FY 98, the BLM documented the completion of a number of construction projects. When these projects were processed out of the construction in progress account and recorded as real property, depreciation was calculated from the date the assets were placed in service through the current period. In some cases, portions of the depreciation were applicable to prior periods and have been recorded as such.

Bureau of Land Management
Consolidated Comparative Statements of Financial Position
September 30, 1998 and 1997
(dollars in thousands)

	1998	1997
Assets:		
Entity:		
Intragovernmental:		
Fund Balances with Treasury (Note 2)	\$ 444,817	\$ 469,577
Accounts Receivable (Note 3)	<u>13,185</u>	<u>9,385</u>
Total Intragovernmental	458,002	478,962
Accounts Receivable, Net (Note 3)	5,407	2,628
Travel Advances	197	264
Cash in Imprest Funds	148	531
Operating Materials and Supplies		1,521
Inventory, Net (Note 4)	2,301	4,250
Gas and Storage Rights, Net (Note 4)	1,076	1,078
Stockpile Materials (Note 4)	363,549	365,065
Property and Equipment, Net (Note 5)	<u>237,110</u>	<u>227,179</u>
Total Entity	<u>1,067,790</u>	<u>1,081,478</u>
Non-Entity:		
Intragovernmental:		
Fund Balances with Treasury (Note 2)	124,581	168,159
Accounts Receivable, Net (Note 3)	3,195	2,030
Unmatured Timber Sales Contracts (Note 6)	<u>102,612</u>	<u>93,579</u>
Total Non-Entity	<u>230,388</u>	<u>263,768</u>
Total Assets (Note 7)	<u>\$1,298,178</u>	<u>\$1,345,246</u>

The accompanying notes are an integral part of these statements.

	1998	1997
Liabilities and Net Position:		
Liabilities:		
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	\$ 4,078	\$ 2,962
Debt to Treasury (Note 8)	<u>1,349,204</u>	<u>1,357,204</u>
Total Intragovernmental	<u>1,353,282</u>	<u>1,360,166</u>
Accounts Payable	16,895	15,415
Accrued Payroll and Benefits (Note 9)	30,312	25,165
Undistributed Collections (Note 10)	103,975	141,287
Deposit Funds (Note 11)	22,561	27,562
Deferred Credits (Note 12)	103,896	95,452
Other Accrued Liabilities	887	
Total Liabilities Covered by Budgetary Resources	<u>1,631,808</u>	<u>1,665,047</u>
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
Workers and Unemployment Compensation Payable (Note 13)	6,838	7,696
Accrued Annual Leave (Note 14)	44,586	40,703
Accrued Contingent Liabilities (Note 15)	13,281	14,525
Actuarial Liabilities (Note 16)	<u>51,791</u>	
Total Liabilities Not Covered by Budgetary Resources	<u>116,496</u>	<u>62,924</u>
Contingent Liabilities (Note 15)		
Total Liabilities	<u>1,748,304</u>	<u>1,727,971</u>
Net Position:		
Unexpended Appropriations (Note 17)	355,478	374,266
Cumulative Results of Operations	<u>(805,604)</u>	<u>(756,991)</u>
Net Position	<u>(450,126)</u>	<u>(382,725)</u>
Total Liabilities and Net Position	<u>\$1,298,178</u>	<u>\$1,345,246</u>

Bureau of Land Management

Consolidated Comparative Statements of Net Cost of Operations and Changes in Net Position
For the Fiscal Years Ended September 30, 1998 and 1997

(dollars in thousands)

	1998	1997
STATEMENTS OF NET COST OF OPERATIONS		
Costs:		
Operating Expenses (Note 18)	\$ 1,217,585	\$ 1,210,574
Cost of Goods Sold	10,940	16,562
Depreciation and Amortization	26,074	24,036
Interest Expense	45	112
Unfunded Expenses (Note 19)	9,682	15,329
Loss (Gain) on Disposition of Assets	96	(746)
Total Costs	<u>1,264,422</u>	<u>1,265,867</u>
Revenues:		
Sales of Goods and Services—Public	196,854	199,516
Sales of Goods and Services—Intragovernmental	28,895	43,598
Total Revenues	<u>225,749</u>	<u>243,114</u>
Net Cost of Operations	1,038,673	1,022,753
Deferred Maintenance (Note 25)	—	—
Net Cost of Operations	<u>\$ 1,038,673</u>	<u>\$ 1,022,753</u>
STATEMENTS OF CHANGES IN NET POSITION		
Net Cost of Operations	<u>\$ (1,038,673)</u>	<u>\$ (1,022,753)</u>
Financing Sources:		
Appropriations Used	1,136,210	1,129,176
Intragovernmental Transfers—Net	12,396	1,183
Imputed Financing (Note 20)	45,786	47,060
Total Financing Sources	<u>1,194,392</u>	<u>1,177,419</u>
Transfers to Treasury or Other Agencies	<u>(156,860)</u>	<u>(162,192)</u>
Net Results of Operations	(1,141)	(7,526)
Prior Period Adjustments (Note 21)	<u>(47,472)</u>	<u>(54,784)</u>
Net Change in Cumulative Results of Operations	(48,613)	(62,310)
Increase (Decrease) in Unexpended Appropriations	<u>(18,788)</u>	<u>27,365</u>
Net Change in Net Position	(67,401)	(34,945)
Net Position, Beginning Balance	<u>(382,725)</u>	<u>(347,780)</u>
Net Position, Ending Balance	<u>\$ (450,126)</u>	<u>\$ (382,725)</u>

The accompanying notes are an integral part of these statements.

Bureau of Land Management
Combined Statement of Budgetary Resources
September 30, 1998
(dollars in thousands)

Budgetary Resources:

Budget Authority	\$1,113,316
Unobligated Balances, Beginning of Period	277,172
Spending Authority from Offsetting Collections	86,439
Adjustments	<u>(7,017)</u>
Total Budgetary Resources	<u>\$1,469,910</u>

Status of Budgetary Resources:

Obligations Incurred	\$1,254,282
Unobligated Balances—Available	203,988
Unobligated Balances—Not Available	<u>11,640</u>
Total Status of Budgetary Resources	<u>\$1,469,910</u>

Outlays:

Obligations Incurred	\$1,254,282
Spending Authority from Offsetting Collections and Adjustments	<u>104,128</u>
Subtotal	1,150,154
Obligated Balances, Net, Beginning of Period	215,086
Obligated Balances, Net, End of Period	<u>234,457</u>
Total Outlays	<u>\$1,130,783</u>

The accompanying notes are an integral part of these statements.



*“Enhancing
aquatic, riparian,
and upland
habitats on both
private and public
lands benefits a
variety of wildlife
species...”*

The Green River/Wheat Creek Wetlands project exemplifies the cooperative techniques used by the BLM and its partners to pursue restoration of critical wildlife habitats. This wetland creation and nesting habitat enhancement project is funded by ten partners representing private, state, and federal interests. Morainal potholes and abandoned hay meadows in the Green River basin of Wyoming provide the site for enhancing breeding and migration habitat for 38 species of neotropical birds, 15 waterfowl species, and 5 special status species. This multi-faceted project increased habitat by creating 32 acres of wetlands; enhanced vegetative cover on 1,000 acres through prescribed burning; and increased nesting habitat by planting vegetation, constructing islands, and building man-made nesting structures. Enhancing aquatic, riparian, and upland habitats on both private and public lands benefits a variety of wildlife species.



Bureau of Land Management Notes to Principal Financial Statements

(dollars in thousands)

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

These financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources, and details regarding financing of the Bureau of Land Management (BLM), as required by the Chief Financial Officers Act of 1990. The consolidating and combining financial statements present financial information by responsibility segment. They have been prepared from BLM's financial records in accordance with the form and content of agency financial statements as specified by the Office of Management and Budget (OMB). The statements have been prepared in accordance with OMB Bulletin 97-01, including the technical amendments thereto, and

the BLM accounting policies that are summarized in this note. These statements are different from the financial reports submitted to OMB for purposes of monitoring and controlling the obligation and expenditure of budgetary resources.

B. Reporting Entity

The BLM, a bureau of the Department of the Interior (DOI), was established on July 16, 1946, through the consolidation of the General Land Office and the Grazing Service in accordance with the provisions of Sections 402 and 403 of the President's Reorganization Plan No. 3 of 1946 (60 Stat. 1097). The BLM's functions are set forth in Section 301 of the Federal Land Policy and Management Act of 1976 (43 USC 1731).

On March 12, 1996, Secretary Babbitt signed Order Number 3198, transferring the Department's Helium Operations from the U.S. Bureau of Mines to the

BLM. This was done under the authority of Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262), as amended. The helium production fund was established by the Helium Act (50 U.S.C. 10), enacted March 3, 1925, and amended by the Helium Act

Amendments of 1960 (P.L. 86-777). Helium production and refining were discontinued on April 1, 1998, pursuant to the Helium Privatization Act of 1996 (P.L. 104-273).

The accompanying consolidated and combined financial statements include all appropriated funds, as well as all other funds for which the BLM maintains financial records. Financial records are maintained by fund types as described below:

1. General Funds: These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal gen-

eral fund expenditure accounts maintained are:

- a. Management of Lands and Resources
- b. Wildland Fire Management
- c. Payments in Lieu of Taxes
- d. Oregon and California Grant Lands

2. Special Funds: The BLM maintains both special fund receipt accounts and special fund expenditure accounts. Collections made into special fund expenditure accounts are available receipts and are considered BLM revenue. These collections are included in amounts transferred to Treasury and are recorded as appropriations. Collections made into special fund receipt accounts are earmarked by law for a specific purpose but are not generated from a continuing cycle of operations. Receipts are deposited as collected. Funds deposited into special fund receipt accounts typically arise from sales of public lands and materials, sales of timber, fees and commissions, mineral leases, and other charges for services provided by the BLM to users of the public lands. Amounts deposited into special fund receipt accounts are subject to various distribution formulas as specified by law.

3. Revolving Funds: This type of fund is used to

finance and manage a continuous cycle of business-type operations. The BLM maintains a Working Capital Fund (WCF) as a single administrative unit established to finance and account for services and commodities furnished to various program activities. The WCF was established in 1978 under Section 306 of the Federal Land Policy and Management Act of 1976 (Public Law 94-579) with an initial investment of \$2,000 in appropriated funds. Since that time, additional equity has been provided through intragovernmental transfers or donations of inventories, capital equipment, and other assets. Transfers or donations are made without reimbursement to the donating activity. All additional income to the WCF has been generated through charges to BLM's programs or other government agencies. The services provided by the WCF include motor vehicles, stores, a sign shop, a Departmental forms center, and the collection and disbursement of receipts from surface management of the Naval Oil Shale Reserve under an October 2, 1987, memorandum of understanding with the Department of Energy. In addition, the WCF provides funding for travel advances and petty cash funds held by imprest fund cashiers.

In addition to the WCF, Helium Operations is funded through a public enterprise revolving fund. This fund was established with monies from the U.S. Treasury to manage the federal helium program, which includes helium production, storage, conservation, and sales activities. Funding for current management of this program is provided by sales of helium. Pursuant to the Helium Privatization Act of 1996, production and refining of helium has been discontinued, but crude helium storage and sale of the helium stockpile will continue through January 1, 2015.

4. Trust Funds: The BLM maintains two trust accounts to carry out specific programs under trust agreements and statutes. The Land and Resource Management Trust Fund contains monies contributed by non-federal organizations for resource development, protection, and management; conveyance of lands omitted in original surveys; and public surveys requested by individuals. The Alaska Townsite Trust Fund receives money from the sale of town lots to non-natives and is available to cover the expenses involved in selling and maintaining townsites.

5. Deposit Funds: These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Refer to Note 11.

Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards For the Federal Government, requires agencies to report the full cost of programs, activities, and outputs. The standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs.

The BLM has selected Activity Based Costing (ABC) as the methodology to accumulate cost data for effective management use and to assign costs to outputs. During fiscal year 1998, BLM management defined the Bureau's responsibility segments, analyzed

activities and tasks in Montana, conducted a Bureauwide analysis for the Wild Horse and Burro program, and initiated a Bureauwide analysis of all programs to fully implement ABC during FY 99. The responsibility segments have been defined as follows:

- **Maintaining Public Lands and Services** - including Management of Lands and Resources, Oregon and California Grant Lands, Wildland Fire Management, Emergency Firefighting, Range Improvements, and Recreation Fee Sites;
- **Economic and Technical Assistance** - including Payments to States, Payments in Lieu of Taxes, and Alaska Native Corporations;
- **Asset Improvement** - including Natural Resource Damage Assessment/Restoration, the Central Hazardous Materials Fund, Land Acquisition, Construction, and the Highway Trust Fund; and
- **Self-Financing Enterprises** - including the Working Capital Fund and the Helium Fund.

Direct costs incurred in each of these activities are report-

ed in the appropriate responsibility segment.

Administrative costs and various indirect costs are allocated to the responsibility segments in a manner appropriate for each type of cost.

C. Basis of Accounting

The BLM maintains its accounting records on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. Significant interfund balances and transactions have been eliminated.

In response to SFFAS No. 4 requirements, the FY 1998 financial statements are grouped by BLM responsibility segments rather than by fund type. These responsibility segments have been selected by management to best coincide with BLM's strategic plan and mission. Comparative data for FY 1997 were developed by recasting last year's information into responsibility segment groups.

D. Financing Sources and Revenues

The BLM receives most of the funding needed to support its programs through annual, multiyear, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures.

Additional amounts are obtained through reimbursements for services performed for other Federal agencies, state and local governments, and the private sector. Finally, the BLM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of the BLM and from the U. S. Department of the Treasury (Treasury) Judgement Fund for payment of settlements resulting from litigation against the BLM.

Revenues, such as those from reimbursable agreements, are recognized when earned. These revenues may be used to offset the cost of producing products or furnishing services, and to recover overhead costs.

Receipts are either available to the BLM for expenditure or are received by the BLM on behalf of others and are passed on to the Treasury or

distributed to other governmental agencies. Gross receipts are reported as cash as received, while amounts billed but not yet received are included in both accounts receivable and undistributed collections. Bad debt expenses relating to those receivables are not considered to be a BLM expense; they are charged against undistributed collections. Transfers of receipts to Treasury and others are reported on the accrual basis. That portion of the transfers that will not be disbursed until the subsequent fiscal year is also included in undistributed collections. Thus, the net position of the BLM is not affected by these activities relating to collections, whether they be billings, bad debt expenses, or timing differences between the receipt of such collections and their subsequent disbursement.

Helium fund sales are authorized by Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, as amended by Public Law 86-777, dated September 13, 1960, entitled "Helium Act Amendments of 1960". Paragraph 167a(4) authorizes the Secretary to, "dispose of, by lease or sale, property, including wells, lands, or interest therein, not valuable for helium produc-

tion, and oil, gas, and byproducts of helium operations not needed for Government use, except that property determined by the Secretary to be 'excess' within the meaning of section 3(e) of the Federal Property and Administrative Services act of June 30, 1949, as amended (40 U.S.C. 471 et. seq.); and to issue leases to the surface of lands or structures thereon for grazing or other purposes when the same may be done without interfering with the production of helium;..." Amounts accumulating in the fund in excess of amounts the Secretary deems necessary to carry out the Helium Act and contracts negotiated thereunder are paid to Treasury and credited against any amounts borrowed from Treasury.

The Helium Privatization Act of 1996 (P.L. 104-273), dated October 9, 1996, caused Interior to cease producing, refining, and marketing refined helium as of April 1, 1998, but authorized the storage, transporting, and withdrawing of crude helium and the maintaining and operating of crude helium storage facilities already in existence. Interior is further authorized to enter into agreements with private parties for the recovery and disposal of helium on federal lands, and to sell stockpile

crude helium until the helium reserves are reduced to 600 million cubic feet.

The helium fund is authorized to retain all receipts, which include, but are not limited to, fees, penalties, interest, and administrative charges on past due receivables and proceeds from the sale of its assets. Fees, penalties, interest, and administrative charges are credited to a revenue account and are recorded as a financing source. Gains and losses are computed when assets are sold and recorded as a financing source or use of finances respectively.

E. Fund Balances with Treasury

The BLM does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by Treasury. Fund balances with Treasury include appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchase commitments. Also included are various other receipt and expenditure funds. Cash balances held outside Treasury are not material. Further details on fund balances with Treasury are contained in Note 2.

F. Accounts Receivable

Accounts receivable consist of amounts owed to the BLM by

other federal agencies or by the public. Amounts earned through the provision of services to the public are not recognized as receivables until billed. Receivables from other federal agencies and certain state government agencies are recognized when the revenue is earned. The BLM recognizes bad debts arising from uncollectible accounts receivable by establishing an allowance for doubtful accounts based upon past experience in collecting accounts receivable and analysis of outstanding balances. See Note 3 for additional information concerning accounts receivable.

G. Inventory and Operating Materials and Supplies

Except for Helium Operations, BLM's inventory consists of items that will be consumed in future operations. Inventory is held by the WCF for use in BLM's resource management programs and is also maintained for sign construction, employee uniforms, and the DOI forms function. The use of inventory accounts is declining in BLM; that inventory still on hand is stated at cost using the average cost method.

The helium inventory held for sale is the actual above-

ground refined helium at the end of the fiscal year, plus an estimate of the amount of stockpile helium to be sold in the following fiscal year. The helium stockpile inventory is stored in a partially depleted natural gas reservoir. The cost to purchase the stockpile helium was \$12.058 per mcf. The volume of helium is accounted for on a perpetual inventory basis. Each year, the amount of helium is verified by collecting reservoir data and using generally accepted petroleum engineering principles to calculate the volume. The calculated volumes support the volume carried in the inventory. At a reservoir abandonment pressure of 25 psia, 95 percent of the stockpile is deemed recoverable. The amount of helium that is eventually recovered will depend on the future price of helium and the ability to control the mixing of native gas and stockpile helium. Gas and storage rights for the storage of helium are recorded at cost. A depletion allowance is computed annually to record the gas consumed in the processing of helium for sale.

Helium Operations' operating materials and supplies consisted of tools, supplies, small machinery, etc., consumed in the production and

extraction of helium. These items were written off during fiscal year 1998 pursuant to the discontinuation of operations.

Except for Helium Operations, BLM's inventory is not held for sale, nor is any of the inventory balance held in reserve for future use or sale. There is no excess, obsolete, or unserviceable inventory, nor is there any inventory held for repair. The BLM does not hold any other related property, including forfeited property, foreclosed property, seized property, commodities, or stockpile materials. Note 4 provides more information on BLM's inventory.

H. Property and Equipment

This category consists of acquired lands; structures, facilities and improvements; automated data processing (ADP) software; equipment and vehicles; construction in progress; and property being held pending disposition. Prior to FY 1995, roads, trails, and bridges were also included in this category.

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, Accounting for Property, Plant, and Equipment, and SFFAS No. 8,

Supplementary Stewardship Reporting, have been issued by the Federal Accounting Standards Advisory Board. The standards recommend different accounting treatments for different types of property, plant, and equipment (PP&E), and provide for a distinction between general PP&E and stewardship PP&E. The former are PP&E used to provide general government services or goods. The latter include stewardship land—all land held by the Federal government that is not acquired for or in connection with an item of general PP&E—and heritage assets, including PP&E that have historical or natural significance.

The standards recommend that Federal entities establish appropriate capitalization thresholds. The BLM has established a capitalization threshold of \$250 per facility/site for real property components of general PP&E. Prior to FY 1995, the BLM had no minimum capitalization threshold for real property. The capitalization threshold for personal property remains unchanged. The standards provide for capitalized property to continue to be reported on the Statement of Financial Position. PP&E that are not capitalized—because they are under the capitalization

threshold, or because they are stewardship PP&E—are to be expensed in the period of acquisition. The standards require a separate stewardship report to provide relevant information regarding stewardship PP&E. The BLM started providing the stewardship report in the FY 1996 Annual Report and have improved it each year. There is a complete stewardship report in the fiscal year 1998 annual report.

Capitalized property and equipment are recorded as follows:

1. General PP&E real property is capitalized at cost, if the aggregate cost of the site/facility is \$250 or more. Acquired land associated with capitalized assets is recorded separately from the structures, facilities, and improvements. Structures such as buildings that are used by the BLM but administered by the General Services Administration or other federal agencies are not recognized as BLM assets.
2. Purchased ADP software is capitalized at cost if the acquisition cost is \$5 or more and the estimated useful life is 2 years or more. Internally

developed software is not capitalized.

3. Equipment and vehicles are capitalized at cost if the acquisition cost is \$5 or more and the estimated useful life is 2 years or more.
4. Costs are accumulated in a construction in progress account for capitalizable general PP&E under construction or being acquired in incremental stages until the property is completed or totally acquired. At that time, the property is transferred to the appropriate asset account(s).

Depreciation for WCF vehicles and heavy equipment is recorded using the straight-line method, based upon useful lives ranging from 2 to 20 years with a 20 percent residual value.

Depreciation for non-WCF equipment and purchased ADP software is based on useful lives of up to 30 years, with a residual value of 10 percent. Except in the helium fund, prior to FY 1997, the BLM did not depreciate structures, facilities, and other improvements. Beginning in FY 1997, however, the BLM has initiated depreciation for all capitalized real property, and has

recorded the current year depreciation as well as the depreciation applicable to prior periods.

The basis for capitalization of donated property and equipment is the estimated fair market value.

Information on property and equipment values is found in Note 5.

I. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the BLM as the result of transactions or events that have already occurred. However, no liability can be paid by the BLM absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as liabilities not covered by budgetary resources, with no certainty that the appropriations will be enacted. In addition, BLM liabilities arising from sources other than contracts can be abrogated by the Government, acting in its sovereign capacity.

Debt to Treasury is a liability of the Helium Fund. Borrowings occurred at various dates. Amounts borrowed became due 25 years from the date the funds were

borrowed and are now past due.

Net worth debt is the amount due for the net capital and retained earnings of the Helium Fund established under 50 U.S.C. 10, Section 164, enacted March 3, 1925 (prior to amendment by the Helium Act Amendments of 1960), as determined by the Secretary as of September 13, 1960, plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act, 1959, for construction of a helium plant at Keyes, Oklahoma.

Additional borrowing from Treasury refers to funds borrowed under 50 U.S.C. 10, Section 167j, which authorizes borrowings to acquire and construct helium plants and facilities and for other related purposes including the purchase of helium.

Interest on borrowing is compound interest on the debt described above that has not been repaid to Treasury. While the debt was current, interest was calculated annually at rates determined by the Secretary of the Treasury, taking into consideration the current average market yields of outstanding marketable obligations of the United States

having maturities comparable to the investments authorized. The interest rate on the net capital and retained earnings was determined as of September 13, 1960, and the interest rate on additional borrowing was determined as of the time of each borrowing. The U.S. Treasury short-term borrowing rate was used to calculate the annual interest expense while the debt was past due. With the passage of the Helium Privatization Act of 1996, Public Law 104-273, enacted October 9, 1996, no further interest expense occurs. The Act defines the amount repayable to the United States as all funds required to be repaid as of October 1, 1995, with no further interest accruing on the debt.

Additional information on debt to Treasury appears in Note 8.

J. Accrued Leave

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to finance annual leave, future financing sources will be used.

Sick leave and other types of leave are expensed as taken because they are nonvesting in nature.

K. Contingent Liabilities

The BLM is a party to various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Contingent liabilities are recorded in the accounting records when the event potentially leading to the recognition of a liability is probable, and a reliable estimate of the scope of the potential liability is available. Further information on contingent liabilities is found in Note 15.

L. Retirement Plan

Nearly half of the BLM's employees participate in the Civil Service Retirement System (CSRS), to which the BLM makes matching contributions. The BLM does not report CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

On January 1, 1987, the Federal Employees Retirement System (FERS) became effective pursuant to Public Law 99-335. Most employees hired after

December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, were authorized to elect to join FERS and Social Security or to remain in CSRS. FERS offers a savings plan to which the BLM automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For employees in FERS, the BLM contributes the employer's matching share for Social Security; the BLM contributes the employer's matching share of Medicare, 1.45 percent, for both FERS and CSRS employees.

Effective in FY 1997, the BLM recognizes its share of the expense of employee benefit programs and future pension outlays incurred by OPM and the imputed financing source applicable to the expense. Further information on imputed financing is available in Note 20.

M. Leases

The BLM has entered into some lease arrangements that potentially qualify as capital leases. However, the BLM has historically not considered lease arrangements for inclusion as assets. The dollar value of leases that could qualify as capital leases is not considered material.

N. Net Position

The components of Net Position are defined as follows:

1. Unexpended appropriations include undelivered orders and unobligated balances; the latter may include both available and unavailable amounts.
2. Cumulative results of operations is comprised of 1) the difference between revenues and expenses, 2) the net amount of transfers of assets in and out without reimbursement, and 3) donations, all since inception of the fund(s).

O. Deferred Maintenance

The BLM purchases or constructs infrastructure assets such as buildings, dams, recreational facilities, administrative facilities, and transportation systems consisting of roads, trails, and bridges. These assets permit the enjoyment and use of the public lands for recreation, revenue generation, and other purposes. There is, however, a significant amount of deferred maintenance resulting from a lack of sufficient funding to conduct scheduled repair and preventative maintenance.

The BLM defines deferred maintenance as maintenance

which was not performed when it was scheduled, and has been deferred to a future period. The impact of maintenance not being timely performed is the potential for a decline in the condition and/or functionality of the facility. The BLM's deferred maintenance backlog does not preclude the public lands from being used and managed; however, BLM management believes that increased maintenance would enhance public enjoyment of the public lands, preserve invested capital, and reduce liability.

According to BLM policy, deferred maintenance is recognized for real property only. Personal property is either maintained and repaired as needed or is disposed of, and is not subject to deferred maintenance. Assets subject to deferred maintenance are grouped in five categories: 1) roads and trails, 2) recreation sites, 3) administrative sites, 4) dams, and 5) bridges. Estimated costs of correcting deferred maintenance are based on condition assessment surveys, consistent with Departmental policy, and each of the categories is reviewed and updated on a cyclical basis. Costs are estimated based on either the costs to the BLM for corrective measures to be taken by

employees, or the cost of executing a contract for the maintenance. Overhead is not included in the estimated cost. The scope and nature of certain property, such as roads and trails, is such that annual condition assessments would never be feasible, because the volume and remoteness of many of these assets limits how many can be assessed in a year.

Financial statement information and budgetary information are both obtained from the same systems of records for very different purposes, and accordingly do not always appear to agree. In the case of deferred maintenance, the notes to the financial statements disclose the entire estimated deferred maintenance needs as of September 30, 1998. Budget requests are for future funding and recently have been limited to the combined highest priority critical health and safety and environmental protection deferred maintenance and capital improvement needs of the BLM. The deferred maintenance funding contained in the budget request is included within the total deferred maintenance reported in the notes to the financial statements. See Note 25 for additional information concerning deferred maintenance.

P. Comparative Data

Comparative data for the prior fiscal year is presented in order to provide an understanding of changes in BLM's financial position and operations. Implementation of SFFAS No. 4 introduced reporting by responsibility segments and necessitated a restatement of FY 1997 data so that valid comparisons could be made between FY 1997 and FY 1998.

Footnote disclosure of financing data and the Combined Statement of

Budgetary Resources are new in FY 1998 and comparative data is not required. Except for the Combined Statement of Budgetary Resources, all statements are on a consolidated basis and use eliminating entries to avoid overstatement of balances caused by intrabureau transactions.

Note 2 - Fund Balances with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by

Treasury. The balances shown on the Consolidated Comparative Statements of Financial Position represent BLM's right to draw on Treasury for valid expenditures. The balances consist of general fund receipt accounts, general fund expenditure accounts, trust funds, revolving funds, special fund receipt accounts, special fund expenditure accounts, and deposit funds. Refer to Note 1(B). Fund balances as shown on BLM's records are reconciled periodically with Treasury's records.

Fund Balances with Treasury at September 30, 1998:

	Obligated	Unobligated		Total
		Available	Restricted	
Entity Assets:				
Maintaining Public Lands and Services	\$ 213,297	\$ 133,660	\$ 3,928	\$ 350,885
Economic and Technical Assistance	508	6,736	320	7,564
Asset Improvement	7,374	24,341		31,715
Self-Financing Enterprises	9,821	44,832		54,653
	<u>231,000</u>	<u>209,569</u>	<u>4,248</u>	<u>444,817</u>
Non-Entity Assets:				
Economic and Technical Assistance			124,581	124,581
Total Fund Balances	<u>\$ 231,000</u>	<u>\$ 209,569</u>	<u>\$128,829</u>	<u>\$ 569,398</u>

Fund Balances with Treasury at September 30, 1997:

	Obligated	Unobligated		Total
		Available	Restricted	
Entity Assets:				
Maintaining Public Lands and Services	\$ 186,323	\$ 161,016	\$ 7,667	\$ 355,006
Economic and Technical Assistance	277	7,090	3,830	11,197
Asset Improvement	13,944	32,307		46,251
Self-Financing Enterprises	13,792	43,331		57,123
	<u>214,336</u>	<u>243,744</u>	<u>11,497</u>	<u>469,577</u>
Non-Entity Assets:				
Economic and Technical Assistance			168,159	168,159
Total Fund Balances	<u>\$ 214,336</u>	<u>\$ 243,744</u>	<u>\$179,656</u>	<u>\$ 637,736</u>

Note 3 - Accounts Receivable

Accounts receivable represent amounts owed to the BLM. Entity accounts receivable represent amounts that the BLM has authority to use.

Entity intragovernmental accounts receivable represent amounts due from other federal agencies, while entity governmental accounts receivable represent amounts due from non-federal entities. Non-entity accounts

receivable are amounts that are generated by BLM's programs but are not available to the programs. All of the non-entity accounts receivable represent amounts due from non-federal entities.

Accounts Receivable at September 30, 1998:

	Entity		Non-Entity	
	Intra-Governmental	Governmental	Governmental	Total
Accounts Receivable	\$ 13,185	\$ 8,242	\$ 5,397	\$ 26,824
Less Allowance for Doubtful Accounts	—	<u>2,835</u>	<u>2,202</u>	<u>5,037</u>
Accounts Receivable, Net	<u>\$ 13,185</u>	<u>\$ 5,407</u>	<u>\$ 3,195</u>	<u>\$ 21,787</u>

Accounts Receivable at September 30, 1997:

	Entity		Non-Entity	
	Intra-Governmental	Governmental	Governmental	Total
Accounts Receivable	\$ 9,385	\$ 6,102	\$ 4,322	\$ 19,809
Less Allowance for Doubtful Accounts	—	<u>3,474</u>	<u>2,292</u>	<u>5,766</u>
Accounts Receivable, Net	<u>\$ 9,385</u>	<u>\$ 2,628</u>	<u>\$ 2,030</u>	<u>\$ 14,043</u>

Note 4 - Inventories

Inventories at September 30:

	1998	1997
Inventory, Net:		
Working Capital Fund:		
Inventory	\$ 543	\$ 501
Less Allowance for Loss on Inventory	<u>151</u>	<u>151</u>
	<u>392</u>	<u>350</u>
Helium Fund:		
Above-Ground Refined Helium for Sale	160	1,428
Below-Ground Crude Helium for Sale	<u>1,749</u>	<u>2,472</u>
	<u>1,909</u>	<u>3,900</u>
Inventory, Net	<u>\$ 2,301</u>	<u>\$ 4,250</u>
Gas and Storage Rights, Net:		
Gas and Storage Rights	\$ 1,538	\$ 1,538
Less Accumulated Depletion Allowance	<u>462</u>	<u>460</u>
Gas and Storage Rights, Net	<u>\$ 1,076</u>	<u>\$ 1,078</u>
Stockpile Materials:		
Below-Ground Crude Helium	<u>\$ 363,549</u>	<u>\$ 365,065</u>

Valuation methods and other information regarding inventories are presented in Note 1(G).

Note 5 - Property and Equipment, Net

Property and Equipment, Net at September 30, 1998:

	Acquisition Value	Accumulated Depreciation	Net Book Value
Acquired Land	\$ 10,773	\$	\$ 10,773
Structures, Facilities, and Improvements	162,266	80,795	81,471
ADP Software	2,613	1,251	1,362
Equipment and Vehicles	258,739	143,578	115,161
Construction in Progress	25,724		25,724
Property Being Held Pending Disposition	<u>5,482</u>	<u>2,863</u>	<u>2,619</u>
Total	<u>\$ 465,597</u>	<u>\$ 228,487</u>	<u>\$237,110</u>

Property and Equipment, Net at September 30, 1997:

	Acquisition Value	Accumulated Depreciation	Net Book Value
Acquired Land	\$ 10,055	\$	\$ 10,055
Structures, Facilities, and Improvements	126,217	72,426	53,791
ADP Software	1,893	1,226	667
Equipment and Vehicles	254,580	146,563	108,017
Construction in Progress	51,662		51,662
Property Being Held Pending Disposition	<u>7,279</u>	<u>4,292</u>	<u>2,987</u>
Total	<u>\$ 451,686</u>	<u>\$ 224,507</u>	<u>\$227,179</u>

Depreciation is recorded using the straight line method over a period of 2 to 30 years. Capitalization criteria are discussed in Note 1(H).

Beginning in FY 1997, all capitalized real property is being depreciated. Previously, only Helium Operations was recording depreciation expense for real property. Accumulated depreciation was calculated for all real property from the time of acquisition through September 30, 1997. The portion applicable to FY 1997 is recorded as depreciation expense, and the portion prior to FY 1997 is

recorded as a prior period adjustment. In FY 1998, a significant effort was made to move previously completed projects out of construction in progress and record them as real property, and to recognize depreciation starting from the date the assets were placed in service. This resulted in a prior period adjustment of \$2,894. Additional discussion of these adjustments may be found in Notes 1(H) and 21.

Note 6 - Unmatured Timber Sales Contracts

Unmatured timber sales contracts represent the obligation and the right of contractors to cut specific quantities of timber within a defined time period at a set price. These contracts represent future revenue to the U.S. Government that will mate-

rialize in future accounting periods as contracts are fulfilled by the cutting of timber. Also see Note 12.

Note 7 - Total Assets

For financial reporting purposes, the BLM has not recognized the value of negotiable securities or certificates of deposit pledged to guaran-

tee performance of contracts. These instruments are accepted in lieu of bond coverage in the following programs: solid or fluid energy minerals extraction (oil, gas, coal, etc.), rights-of-way on the public or other lands, and certain contracts (performance bonds). Interest earned is paid to the owner of the security or certificate of deposit and is not avail-

able to the BLM. At September 30, 1998, the value of these securities was \$5,659; at September 30, 1997, the value was \$4,788. Since these assets are not available to the BLM unless a customer defaults on an agreement, they are not recognized as BLM assets or liabilities.

Note 8 - Debt to Treasury

Amounts due Treasury from the Helium Fund at September 30:

	1998	1997
Principal:		
Net Worth Debt	\$ 37,343	\$ 37,343
Additional Borrowing from Treasury	<u>251,650</u>	<u>251,650</u>
	<u>288,993</u>	<u>288,993</u>
Interest:		
Beginning Balance	1,068,211	1,076,211
Repayments	<u>(8,000)</u>	<u>(8,000)</u>
	<u>1,060,211</u>	<u>1,068,211</u>
Total Debt to Treasury	<u>\$1,349,204</u>	<u>\$1,357,204</u>

Refer to Note 1(l) for a description of net worth debt, additional borrowing from Treasury, and interest.

Note 9 - Accrued Payroll and Benefits

A liability is recognized for the salaries and benefits earned by employees but not yet paid at the close of the fiscal year. At September 30, 1998, accrued payroll liabilities were \$30,312, primarily representing 13 days of earned but unpaid compen-

sation for BLM's workforce. At September 30, 1997, accrued payroll liabilities were \$25,165, primarily for 12 days of earned but unpaid compensation.

Note 10 - Undistributed Collections

Undistributed collections represent amounts collected

into unavailable special receipt funds that have not yet been transferred to other funds.

Note 11 - Deposit Funds

The BLM processes collections from various sources for activities related to public land administration. At any given time, the BLM may

have collections that have not been specifically classified. These amounts are held in suspense pending further classification or resolution.

Note 12 - Deferred Credits

Deferred credits consist of unmatured timber sales contracts, advances from customers of the helium fund,

and special fund billed amounts. Unmatured timber sales contracts are described in Note 6. Customer advances in the helium fund represent advance payments on helium

purchases and storage contracts. Special fund billed amounts are a combination of advance bills for anticipated obligations, as well as actual bills for obligations already incurred.

Deferred Credits at September 30:

	1998	1997
Unmatured Timber Sales Contracts	\$102,612	\$ 93,579
Customer Advances—Helium Fund	860	1,287
Special Fund Billed Amounts	424	586
Total Deferred Credits	<u>\$103,896</u>	<u>\$ 95,452</u>

Note 13 - Workers and Unemployment Compensation Payable

Workers and unemployment compensation payable represents the Department of Labor estimate of these liabilities.

Workers and Unemployment Compensation Payable at September 30:

	1998	1997
Workers Compensation Payable	\$6,203	\$6,953
Unemployment Compensation Payable	635	743
Total	<u>\$6,838</u>	<u>\$7,696</u>

Note 14 - Accrued Annual Leave

The BLM accrues annual leave not covered by budgetary resources. Prior to FY 98 this expense was allocated to the two funds with the most planned labor activity. Beginning with fiscal year 1998, the expense is allocated to all funds which have personnel costs, in the ratio of those costs. The accrual is updated annually based on

actual labor hours and current pay rates.

Note 15 - Contingent Liabilities

Judgements and Claims:

The BLM is a party to a number of lawsuits where the plaintiff is seeking monetary damages. In the opinion of BLM management and legal counsel, a reasonable estimate of the potential

outcome or liability of these claims cannot be made. The lawsuits involve a variety of issues, including lost revenues when timber contracts were suspended because of environmental issues, injuries or death which occurred on BLM managed land or roads, issues regarding takings and suspension of mining claims, and other issues. The resultant outcomes will not materially affect BLM's future financial condition. The

U.S. Treasury's Judgement Fund will likely bear many of the costs incurred to pay judgements or settlements.

Environmental Cleanup: The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and the Resource Conservation and Recovery Act require Federal agencies to report sites where hazardous wastes are or have been stored, treated, or disposed of, and require responsible parties, including federal agencies, to clean up releases of hazardous substances. The BLM faces major challenges in cleaning up hazardous substance releases on the public lands. Virtually all of these releases arise from non-BLM and non-federal uses of the lands, such as illegal dumping, transportation spills, landfills, mineral development operations, pipelines, and airports. Substantial portions of the costs of cleanup will be incurred by, or recovered from, responsible parties.

The BLM has fifteen small emergency response actions in progress as of September 30, 1998, which will require future funding. This type of action is usually mitigated without performing a study and, generally, the responsi-

ble party is not found, which results in BLM bearing the expense. Future funding required as of September 30, 1998, is estimated at \$1,126 to \$1,156. At September 30, 1997, the estimated future funding of small sites was \$978.

Larger sites require one or more studies to determine the scope of the contamination and the possible cleanup techniques. Cleanup costs are inestimable until the study is complete. When the studies are complete, several cleanup options are generally suggested with the approximate range of cost of each, and BLM management determines the most appropriate course of action.

In these larger sites, efforts are made to identify and locate potentially responsible parties who are held liable for the cost of studies and cleanup. Frequently, litigation is required to enforce payment. As of September 30, 1998, approximately 25 studies were underway or were planned, with future costs estimated between \$4,586 to \$4,836. The BLM will probably pay \$1,426 to \$1,676 of that total. At September 30, 1997, the BLM had studies underway or planned with estimated future costs of

\$3,000, of which BLM expected to pay approximately \$1,252.

Studies have been completed at 41 sites, and at September 30, 1998, future cleanup costs are estimated at \$26,586, with BLM expecting to pay \$10,929 of that total. At September 30, 1997, studies had been completed for 26 sites with an estimated cleanup cost of \$20,000, of which BLM expected to pay \$4,395.

In addition to the above, the BLM is aware of 73 sites where no work has been done at all and where we have insufficient information to make any estimates at all regarding the actions necessary to mitigate the site or the likely costs.

Abandoned Mine Lands: According to a BLM study, in an area of 7.4 million acres, almost 7,000 Abandoned Mine Land (AML) sites were verified containing over 6,600 safety hazards. During the period 1993 - 1996, an abatement of public safety hazards occurred in 537 sites. The report estimated that over 70,000 AML sites could exist on BLM-administered land. The BLM faces a significant exposure to lawsuits or claims for damages resulting

from injury or death at one or more of these sites. We have no basis for estimating the future financial impact of this situation.

Note 16 - Actuarial Liabilities

Pursuant to OMB guidance, the presentation of Federal Employees' Compensation

Act actuarial liabilities for workers' compensation benefits is a liability based on Department of Labor computations. This liability includes the expected future liability for death, disability, medical, and other approved costs relating to current compensation act claims.

In fiscal year 1997, the actuarial data was not provided

in time for inclusion in the BLM financial statements; the liability was recognized in the Interior consolidated statements. The fiscal year 1998 computation showed a negative expense occurring between 1997 and 1998. Accordingly, the fiscal year 1998 actuarial estimate of \$52,478 is presented as a liability and a prior period adjustment.

Note 17 - Unexpended Appropriations

Unexpended Appropriations at September 30:

	1998	1997
Unobligated, Available	\$ 170,856	\$ 206,493
Undelivered Orders	<u>184,622</u>	<u>167,773</u>
Total Unexpended Appropriations	<u>\$ 355,478</u>	<u>\$ 374,266</u>

Note 18 - Operating Expenses

Operating Expenses by Object Classification:

	1998	1997
Personal Services and Benefits	\$ 598,919	\$ 573,400
Travel and Transportation	40,976	38,098
Rental, Communication, and Utilities	60,551	60,565
Printing and Reproduction	3,218	3,286
Contractual Services	194,988	231,146
Supplies and Materials	58,270	74,157
Property and Equipment Not Capitalized	64,498	38,431
Bad Debts	(511)	(1,420)
Settlement of Claims	1,221	
Grants, Subsidies, and Contributions	<u>195,455</u>	<u>192,911</u>
Total Operating Expenses	<u>\$1,217,585</u>	<u>\$1,210,574</u>

Note 19 -

Unfunded Expenses

Unfunded expenses consists of four categories: the change in accrued annual leave for BLM personnel, the change in the liability for workers and

unemployment compensation, the probable, reasonably estimable costs from pending litigation, and the total probable BLM expense for environmental cleanup.

Unfunded Expenses for FY 1998 and FY 1997:

	1998	1997
Environmental Cleanup Expenses	\$ 6,656	\$ 6,625
Other Contingent Liabilities		7,900
Annual Leave	3,883	1,242
Workers and Unemployment Compensation	(857)	(438)
Total Unfunded Expenses	<u>\$ 9,682</u>	<u>\$15,329</u>

Note 20 -

Imputed Financing

Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government, establishes accounting and reporting standards for liabilities relating to the federal employee benefit programs, including retirement, health benefits, and life insurance. The Office of Personnel Management (OPM) is responsible for paying the cost of these benefits, and prior to FY 97 the employing agencies had not been recognizing any of the cost.

Under the provisions of SFFAS No. 5, employing agencies must recognize the cost of pensions and other retirement benefits during their employees' active years of service, and must recognize the current annual cost of the Federal Employee Health Benefit (FEHB) program and the Federal

Employee Group Life Insurance (FEGLI) program.

OPM actuaries have provided the employing agencies with rates for calculating the estimated cost of pension and other retirement benefits. They have also provided rates for use in calculating the cost of FEHB and FEGLI. The Department provided labor cost data for the BLM to use in applying the OPM rates to calculate the total imputed cost of these benefits. While BLM funds are not used to pay the cost of these personnel benefits, these are a BLM operating expense which must be reported to accurately reflect the cost of doing business. The use of OPM funds for

this purpose is an imputed source of financing for the BLM.

The Department of the Treasury Judgement Fund is another imputed source of financing, included for the first time in fiscal year 1998. The BLM is a party to numerous lawsuits where the plaintiff is seeking monetary damages. In many cases, when the BLM is required to pay the plaintiff, either as a result of settlement or adjudication, payment is actually made from the Judgement Fund rather than BLM appropriations. Treasury provides agencies with information regarding the month and amount of payments actually made.

Imputed Financing for FY 1998 and FY 1997:

	1998	1997
Imputed Financing from OPM:		
Pension Costs	\$24,163	\$26,311
Health Benefit and Life Insurance Costs	<u>20,402</u>	<u>20,749</u>
	44,565	47,060
Imputed Financing from Treasury Department's Judgement Fund	<u>1,221</u>	
Total Imputed Financing	<u>\$45,786</u>	<u>\$47,060</u>

Note 21 - Prior Period Adjustments

Several prior period adjustments are recorded in the fiscal year 1998 financial statements. These consist of amounts that would have been recorded in the fiscal year 1997 or prior year statements had the data been available, or they represent changes, based on subsequent information, to amounts that were reported in the FY 97 or prior year statements.

When the FY 97 statements were prepared, the actuarial estimate of future costs for workers' compensation was not available. This estimate would have been recorded as an unfunded liability at the end of FY 97, and the FY 98 statements would have reflected a \$2,215 decrease in the estimate. The net actuarial estimate for workers' compensation has now been

recorded as a prior period adjustment.

In the fiscal year 1997 statements, the BLM reported a potential future outlay of \$7,900 based on our lawyers' best estimate of the outcome of pending litigation. Our lawyers have advised us this year that the likely outcome of current pending litigation, including the cases which comprised the amount reported in the fiscal year 1997 statements, is impossible to predict. Based on the more current information, we have made a prior period adjustment to reverse the liability recorded in FY 97.

The BLM responded to a Management Letter issue regarding construction projects not being closed out timely. During FY 98, the BLM gathered completion reports for a number of construction projects and processed the cumulative costs out of the construction

in progress account and into asset accounts, making the appropriate corresponding entry into the real property module. Depreciation was calculated from the date the assets were actually placed in service through the current period. In many cases, portions of the depreciation were applicable to prior periods, and have been recorded as such.

In FY 1997, all capitalized real property was being depreciated, but prior to that, only Helium Operations was recording depreciation expense for real property. During FY 1997, accumulated depreciation was calculated for all real property from the time of acquisition through September 30, 1997. The portion applicable to FY 1997 was recorded as depreciation expense, and the portion prior to FY 1997 was recorded as a prior period adjustment.

Prior Period Adjustments for FY 1998 and FY 1997:

	1998	1997
FECA Actuarial Liability	\$ 52,478	
Depreciation Expense	2,894	\$54,784
Contingent Liabilities	<u>(7,900)</u>	<u> </u>
Total Unfunded Expenses	<u>\$ 47,472</u>	<u>\$54,784</u>

Note 22 - Leases

The BLM has entered into some lease arrangements that potentially qualify as capital leases. However, the BLM has historically not considered lease arrangements for inclusion as assets. The dollar value of leases that could qualify as capital leases is not considered material.

The BLM also has operating leases for various types of space acquired through the General Services Administration (GSA) and directly from commercial sources. These leases typically have terms up to 20 years and most contain provisions for cancellation prior to the full term of the lease. GSA space leases are cancellable with 120 days notice and accordingly do not meet the criteria for being reported as a future liability. The future lease payments due, as shown below, are only for space leased from commercial sources.

Government vehicles are acquired from GSA for indefinite periods of time frequently exceeding one year, but the regulations governing the acquisition and use of these vehicles do not meet the definition of a lease. Accordingly, GSA vehicles are not included in future lease payments due. Leased equipment in the

BLM constitutes an immaterial amount and is not included below.

Future Operating Lease
Payments Due as of
September 30, 1998:

Fiscal Year	
1999	\$ 12,161
2000	11,403
2001	10,139
2002	8,245
2003	6,653
After 2003	<u>19,655</u>
Total Future Payments Due	<u>\$ 68,256</u>

Note 23 - Helium Closure

The Helium Privatization Act of 1996 (Public Law 104-273), enacted October 9, 1996, directs the privatizing of the Department of the Interior's Federal Helium Refining Program. Under this law, Interior ceased producing, refining, and marketing refined helium as of April 1, 1998. Interior is authorized to store, transport, and withdraw crude helium and maintain and operate crude helium storage facilities in existence on the date of enactment. The Department may also enter into agreements with private parties for the recovery and disposal of helium on federal lands and may grant leasehold rights to any such

helium. The sale of stockpile crude helium will commence no later than January 1, 2005, and will continue until January 1, 2015, at which time the helium reserves should be reduced to 600 million cubic feet.

Note 24 - Statement of Financing

SFFAS No. 7, Accounting for Revenue and Other Financing Sources, established the Statement of Financing and required that it be prepared and audited beginning with the FY 1998 financial statements. Subsequent guidance from OMB indicated that this information could be presented as a note, rather than as a principal statement, in FY 98. Unlike other statements, the Statement of Financing is prepared at the reporting entity level rather than at the responsibility segment level. Comparative data is not required for the FY 1998 statement, but is required for subsequent years.

The intent of the Statement of Financing is to facilitate the reconciliation of the financial net cost of operations with obligations of budget authority. Because the accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the

Statement of Budgetary Resources, this reconciliation is needed to understand the differences.

The Statement of Financing consists of four sections: 1) resources used to fund activities; 2) resources used to fund

items not part of the net cost of operations; 3) components of net cost of operations that do not require or generate resources during the reporting period; and, 4) components of net cost that require future funding. The statement starts with budgetary and non-bud-

getary resources, subtracts items that consume resources without affecting net cost of operations, and adds back net cost items that do not affect budgetary resources and items that require future funding.

Obligations and Nonbudgetary Resources:

Obligations Incurred	\$ 1,254,282	
Spending Authority for Offsetting Collections and Adjustments	(103,532)	
Imputed Financing	45,786	
Transfers to Treasury or Other Agencies	(156,860)	
Exchange Revenue Not in the Budget	(680)	
Total Obligations as Adjusted, and Nonbudgetary Resources		\$ 1,038,996

Resources That Do Not Fund Net Cost of Operations:

Change in Goods and Services Ordered But Not Yet Received	14,253	
Costs Capitalized	28,408	
Financing Sources that Fund Costs of Prior Periods	8,757	
Prior Period Adjustments	44,578	
Total Resources That Do Not Fund Net Cost of Operations		(95,996)

Costs That Do Not Require Resources:

Depreciation	26,074	
Cost of Goods Sold	4,053	
Loss on Disposition of Assets	2,840	
Bad Debt Expense	(511)	
Total Costs That Do Not Require Resources		32,456

Financing Sources Yet to be Provided

Net Cost of Operations		<u>\$ 1,038,673</u>
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Note 25 - Deferred Maintenance (UNAUDITED)

The BLM purchases or constructs infrastructure assets such as buildings, dams,

recreational facilities, administrative facilities, and transportation systems consisting of roads, trails, and bridges. These assets permit the enjoyment and use of the public lands for recreation, revenue generation, and other purposes. There is,

however, a significant amount of deferred maintenance resulting from a lack of sufficient funding to conduct scheduled repairs and preventative maintenance.

The BLM tracks infrastructure assets in two systems:

the Transportation Information Management System (TIMS) for Oregon and California Grant Lands roads, and the Facilities Inventory Maintenance and Management System (FIMMS) for all other real property. FIMMS encompasses approximately 90 percent of the total deferred maintenance in the BLM. The cost of correcting deferred maintenance is a data element in each system and is estimated based on condition assessment surveys. Assets subject to deferred maintenance are grouped in five categories: 1) roads and trails, 2) recreation sites, 3) administrative sites, 4) dams, and 5) bridges.

BLM personnel perform condition assessment surveys on a cyclical basis by category and update FIMMS with the current information. In fiscal year 1998, BLM performed condition assessment surveys for recreation sites, cyclic dams, and bridges. In addition, the BLM expended considerable resources to update and document as much data as possible in the other categories, which have not had condition assessment surveys in recent years.

FIMMS was originally designed to be a tracking system rather than a financial system and, accordingly, cost

estimates entered in previous years were for the use of engineers and were not intended for budget formulation or financial reporting use. During fiscal year 1998, the BLM performed a significant number of condition assessments to enhance the data integrity in FIMMS by having more current data supported by written documentation. As a result, the data was improved, but the work needed to fully document and support the total deferred maintenance funding requirements of the BLM will take several years.

In this initial effort, a number of inconsistencies were identified which will require BLM management to issue policy guidance and which preclude reporting a dollar value of deferred maintenance needs with any degree of confidence. FIMMS contains a dollar estimate of \$258,000 of deferred maintenance needs, but there are conditions causing overstatements and other conditions causing understatements which make the true number impossible to estimate with any assurance.

Overestimates were caused by data up-dates which added to prior estimates rather than replacing them, inappropriate inclusion of capital improvement costs with deferred maintenance,

and inclusion of the cost of work to come into compliance with the Americans With Disabilities Act (ADA), which the Department has identified, at different times, as part of deferred maintenance and not part of deferred maintenance.

Understatement of deferred maintenance needs include cases where no condition assessments have been done, so deferred maintenance was not recorded, and cases where FIMMS has old data which does not reflect subsequent deterioration which increases the cost of restoration or the inflationary impact on the costs.

FIMMS is operated independently as a separate application in each of the states. The BLM Protection and Response Group led the effort in fiscal year 1998 to improve the data in FIMMS, and has developed a long-term plan to address the system needs of FIMMS, to assure consistent policies and procedures are in place, and to develop and record fully supported, auditable deferred maintenance data.

As of September 30, 1998, the BLM estimates that the total amount of deferred maintenance could be within the range of \$100,000 to \$500,000.

Bureau of Land Management
Consolidating Comparative Statements of Financial Position
September 30, 1998 and 1997
(dollars in thousands)

	1998				
	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Eliminations
Assets:					
Entity:					
Intragovernmental:					
Fund Balances with Treasury	\$ 350,885	\$ 7,564	\$ 31,715	\$ 54,653	\$
Accounts Receivable	<u>13,728</u>		<u>2,311</u>	<u>173</u>	<u>(3,027)</u>
Total Intragovernmental	<u>364,613</u>	<u>7,564</u>	<u>34,026</u>	<u>54,826</u>	<u>(3,027)</u>
Accounts Receivable, Net	1,114			4,293	
Travel Advances				197	
Cash in Imprest Funds				148	
Operating Materials and Supplies Inventory, Net				2,301	
Gas and Storage Rights, Net				1,076	
Stockpile Materials				363,549	
Property and Equipment, Net	<u>152,083</u>		<u>22,107</u>	<u>62,920</u>	
Total Entity	<u>517,810</u>	<u>7,564</u>	<u>56,133</u>	<u>489,310</u>	<u>(3,027)</u>
Non-Entity:					
Intragovernmental:					
Fund Balances with Treasury		124,581			
Accounts Receivable, Net		3,195			
Unmatured Timber Sales Contracts		<u>102,612</u>			
Total Non-Entity		<u>230,388</u>			
Total Assets	<u>\$ 517,810</u>	<u>\$ 237,952</u>	<u>\$ 56,133</u>	<u>\$ 489,310</u>	<u>\$ (3,027)</u>

1997

Consolidated	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Eliminations	Consolidated
\$ 444,817	\$ 355,005	\$ 11,197	\$ 46,251	\$ 57,124	\$	\$ 469,577
13,185	8,571		222	1,800	(1,208)	9,385
458,002	363,576	11,197	46,473	58,924	(1,208)	478,962
5,407	1,639			989		2,628
197				264		264
148				531		531
				1,521		1,521
2,301				4,250		4,250
1,076				1,078		1,078
363,549				365,065		365,065
237,110	117,646		50,434	59,099		227,179
1,067,790	482,861	11,197	96,907	491,721	(1,208)	1,081,478
124,581		168,159				168,159
3,195		2,030				2,030
102,612		93,579				93,579
230,388		263,768				263,768
\$1,298,178	\$ 482,861	\$ 274,965	\$ 96,907	\$ 491,721	\$ (1,208)	\$ 1,345,246

Bureau of Land Management
Consolidating Comparative Statements of Financial Position
September 30, 1998 and 1997
(dollars in thousands)

	1998				
	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Eliminations
Liabilities and Net Position:					
Liabilities:					
Liabilities Covered by Budgetary Resources:					
Intragovernmental:					
Accounts Payable	\$ 4,277	\$ 221	\$ 1,046	\$ 1,561	\$ (3,027)
Debt to Treasury				1,349,204	
Total Intragovernmental	4,277	221	1,046	1,350,765	(3,027)
Accounts Payable	14,429	1,233	647	586	
Accrued Payroll and Benefits	28,947	9	393	963	
Undistributed Collections		103,975			
Deposit Funds	(8)	22,569			
Deferred Credits	406	102,612	18	860	
Other Accrued Liabilities				887	
Total Liabilities Covered by Budgetary Resources	48,051	230,619	2,104	1,354,061	(3,027)
Liabilities Not Covered by Budgetary Resources:					
Intragovernmental:					
Workers and Unemployment Compensation Payable	6,845		(7)		
Accrued Annual Leave	44,556		30		
Accrued Contingent Liabilities	13,281				
Actuarial Liabilities	51,371	11	409		
Total Liabilities Not Covered by Budgetary Resources	116,053	11	432		
Contingent Liabilities					
Total Liabilities	164,104	230,630	2,536	1,354,061	(3,027)
Net Position:					
Unexpended Appropriations	316,222	7,333	31,923		
Cumulative Results of Operations	37,484	(11)	21,674	(864,751)	
Net Position	353,706	7,322	53,597	(864,751)	
Total Liabilities and Net Position	\$ 517,810	\$ 237,952	\$ 56,133	\$ 489,310	\$ (3,027)

1997

Consolidated	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Eliminations	Consolidated
\$ 4,078	\$ 3,919	\$ 192	\$ 30	\$ 29	\$ (1,208)	\$ 2,962
<u>1,349,204</u>				<u>1,357,204</u>		<u>1,357,204</u>
1,353,282	3,919	192	30	1,357,233	(1,208)	1,360,166
16,895	12,290	1,340	714	1,071		15,415
30,312	23,843	4	218	1,100		25,165
103,975		141,287				141,287
22,561		27,562				27,562
103,896	586	93,579		1,287		95,452
887						
<u>1,631,808</u>	<u>40,638</u>	<u>263,964</u>	<u>962</u>	<u>1,360,691</u>	<u>(1,208)</u>	<u>1,665,047</u>
6,838	7,696					7,696
44,586	40,703					40,703
13,281	14,525					14,525
51,791						
<u>116,496</u>	<u>62,924</u>					<u>62,924</u>
1,748,304	103,562	263,964	962	1,360,691	(1,208)	1,727,971
355,478	317,754	11,001	45,511			374,266
(805,604)	61,545		50,434	(868,970)		(756,991)
(450,126)	379,299	11,001	95,945	(868,970)		(382,725)
<u>\$1,298,178</u>	<u>\$ 482,861</u>	<u>\$ 274,965</u>	<u>\$ 96,907</u>	<u>\$ 491,721</u>	<u>\$ (1,208)</u>	<u>\$1,345,246</u>

Bureau of Land Management

Consolidating Comparative Statements of Net Cost of Operations and Changes in Net Position
For the Fiscal Years Ended September 30, 1998 and 1997

(dollars in thousands)

	1998				
	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Eliminations
STATEMENTS OF NET COST OF OPERATIONS					
Costs:					
Operating Expenses	\$ 994,388	\$ 192,294	\$ 36,329	\$ 14,726	\$(20,152)
Cost of Goods Sold				10,940	
Depreciation and Amortization	18,359		7	7,708	
Interest Expense	41		2	2	
Unfunded Expenses	9,658	1	23		
Loss (Gain) on Disposition of Assets				96	
Total Costs	<u>1,022,446</u>	<u>192,295</u>	<u>36,361</u>	<u>33,472</u>	<u>(20,152)</u>
Revenues:					
Sales of Goods and Services—Public	98,812	86,162		11,880	
Sales of Goods and Services—Intragovernmental	18,814	4,492		25,741	(20,152)
Total Revenues	<u>117,626</u>	<u>90,654</u>		<u>37,621</u>	<u>(20,152)</u>
Net Cost of Operations	904,820	101,641	36,361	(4,149)	
Deferred Maintenance					
Net Cost of Operations	<u>\$ 904,820</u>	<u>\$ 101,641</u>	<u>\$ 36,361</u>	<u>\$ (4,149)</u>	
STATEMENTS OF CHANGES IN NET POSITION					
Net Cost of Operations	<u>\$ (904,820)</u>	<u>\$(101,641)</u>	<u>\$(36,361)</u>	<u>\$ 4,149</u>	
Financing Sources:					
Appropriations Used	910,846	192,286	33,078		
Intragovernmental Transfers—Net	37,638		(25,415)	173	
Imputed Financing	44,846	9	347	584	
Total Financing Sources	<u>993,330</u>	<u>192,295</u>	<u>8,010</u>	<u>757</u>	
Transfers to Treasury or Other Agencies	<u>(66,206)</u>	<u>(90,654)</u>			
Net Results of Operations	22,304		(28,351)	4,906	
Prior Period Adjustments	<u>(46,365)</u>	<u>(11)</u>	<u>(409)</u>	<u>(687)</u>	
Net Change in Cumulative Results of Operations	(24,061)	(11)	(28,760)	4,219	
Increase (Decrease) in Unexpended Appropriations	<u>(1,532)</u>	<u>(3,668)</u>	<u>(13,588)</u>		
Net Change in Net Position	(25,593)	(3,679)	(42,348)	4,219	
Net Position, Beginning Balance	<u>379,299</u>	<u>11,001</u>	<u>95,945</u>	<u>(868,970)</u>	
Net Position, Ending Balance	<u>\$ 353,706</u>	<u>\$ 7,322</u>	<u>\$ 53,597</u>	<u>\$(864,751)</u>	

1997

Consolidated	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Eliminations	Consolidated
\$ 1,217,585	\$ 957,913	\$ 242,461	\$ 18,150	\$ 10,923	\$(18,873)	\$ 1,210,574
10,940				16,562		16,562
26,074	14,499		14	9,523		24,036
45	101		3	8		112
9,682	15,329					15,329
96				(746)		(746)
<u>1,264,422</u>	<u>987,842</u>	<u>242,461</u>	<u>18,167</u>	<u>36,270</u>	<u>(18,873)</u>	<u>1,265,867</u>
196,854	66,726	123,966		8,824		199,516
28,895	18,966	8,870		34,635	(18,873)	43,598
<u>225,749</u>	<u>85,692</u>	<u>132,836</u>		<u>43,459</u>	<u>(18,873)</u>	<u>243,114</u>
1,038,673	902,150	109,625	18,167	(7,189)		1,022,753
<u>1,038,673</u>	<u>902,150</u>	<u>109,625</u>	<u>18,167</u>	<u>(7,189)</u>		<u>1,022,753</u>
<u>\$(1,038,673)</u>	<u>\$(902,150)</u>	<u>\$(109,625)</u>	<u>\$(18,167)</u>	<u>\$ 7,189</u>		<u>\$(1,022,753)</u>
1,136,210	863,510	242,461	23,205			1,129,176
12,396	2,494		(2,093)	782		1,183
45,786	47,060					47,060
<u>1,194,392</u>	<u>913,064</u>	<u>242,461</u>	<u>21,112</u>	<u>782</u>		<u>1,177,419</u>
<u>(156,860)</u>	<u>(29,356)</u>	<u>(132,836)</u>				<u>(162,192)</u>
(1,141)	(18,442)		2,945	7,971		(7,526)
<u>(47,472)</u>	<u>(54,784)</u>					<u>(54,784)</u>
(48,613)	(73,226)		2,945	7,971		(62,310)
<u>(18,788)</u>	<u>34,141</u>	<u>(8,744)</u>	<u>1,968</u>			<u>27,365</u>
(67,401)	(39,085)	(8,744)	4,913	7,971		(34,945)
<u>(382,725)</u>	<u>418,384</u>	<u>19,745</u>	<u>91,032</u>	<u>(876,941)</u>		<u>(347,780)</u>
<u>\$ (450,126)</u>	<u>\$ 379,299</u>	<u>\$ 11,001</u>	<u>\$ 95,945</u>	<u>\$ (868,970)</u>	<u>\$</u>	<u>\$ (382,725)</u>

Bureau of Land Management
Combining Statement of Budgetary Resources
September 30, 1998
(dollars in thousands)

	1998				
	Maintaining Public Lands and Services	Economic and Technical Assistance	Asset Improvement	Self-Financing Enterprises	Combined
Budgetary Resources:					
Budget Authority	\$ 909,383	\$ 192,447	\$ 19,486	\$ (8,000)	\$ 1,113,316
Unobligated Balances, Beginning of Period	184,033	16,222	32,311	44,606	277,172
Spending Authority from Offsetting Collections	46,829			39,610	86,439
Adjustments	<u>(791)</u>	<u>(7,941)</u>	<u>374</u>	<u>1,341</u>	<u>(7,017)</u>
Total Budgetary Resources	<u>\$1,139,454</u>	<u>\$ 200,728</u>	<u>\$ 52,171</u>	<u>\$ 77,557</u>	<u>\$ 1,469,910</u>
Status of Budgetary Resources:					
Obligations Incurred	\$1,000,056	\$ 193,672	\$ 27,829	\$ 32,725	\$ 1,254,282
Unobligated Balances—Available	132,511	2,353	24,292	44,832	203,988
Unobligated Balances—Not Available	<u>6,887</u>	<u>4,703</u>	<u>50</u>		<u>11,640</u>
Total Status of Budgetary Resources	<u>\$1,139,454</u>	<u>\$ 200,728</u>	<u>\$ 52,171</u>	<u>\$ 77,557</u>	<u>\$ 1,469,910</u>
Outlays:					
Obligations Incurred	\$1,000,056	\$ 193,672	\$ 27,829	\$ 32,725	\$ 1,254,282
Spending Authority from Offsetting Collections and Adjustments	<u>61,614</u>	<u>1,190</u>	<u>375</u>	<u>40,949</u>	<u>104,128</u>
Subtotal	938,442	192,482	27,454	(8,224)	1,150,154
Obligated Balances, Net, Beginning of Period	188,826	277	14,166	11,817	215,086
Obligated Balances, Net, End of Period	<u>217,501</u>	<u>484</u>	<u>8,549</u>	<u>7,923</u>	<u>234,457</u>
Total Outlays	<u>\$ 909,767</u>	<u>\$ 192,275</u>	<u>\$ 33,071</u>	<u>\$ (4,330)</u>	<u>\$ 1,130,783</u>



Stewardship Assets

The BLM has been entrusted with stewardship responsibility for the multiple-use management of natural resources on approximately 264 million acres of public land. The agency also supervises mineral leasing and operations on over 560 million acres of mineral estate that underlie both BLM lands and other surface ownerships. The public lands are valued for their environmental resources, their recreational and scenic values, the cultural and paleontological resources they contain, their

vast open spaces, and the resource commodities and revenue they provide to the Federal government, states, and counties.

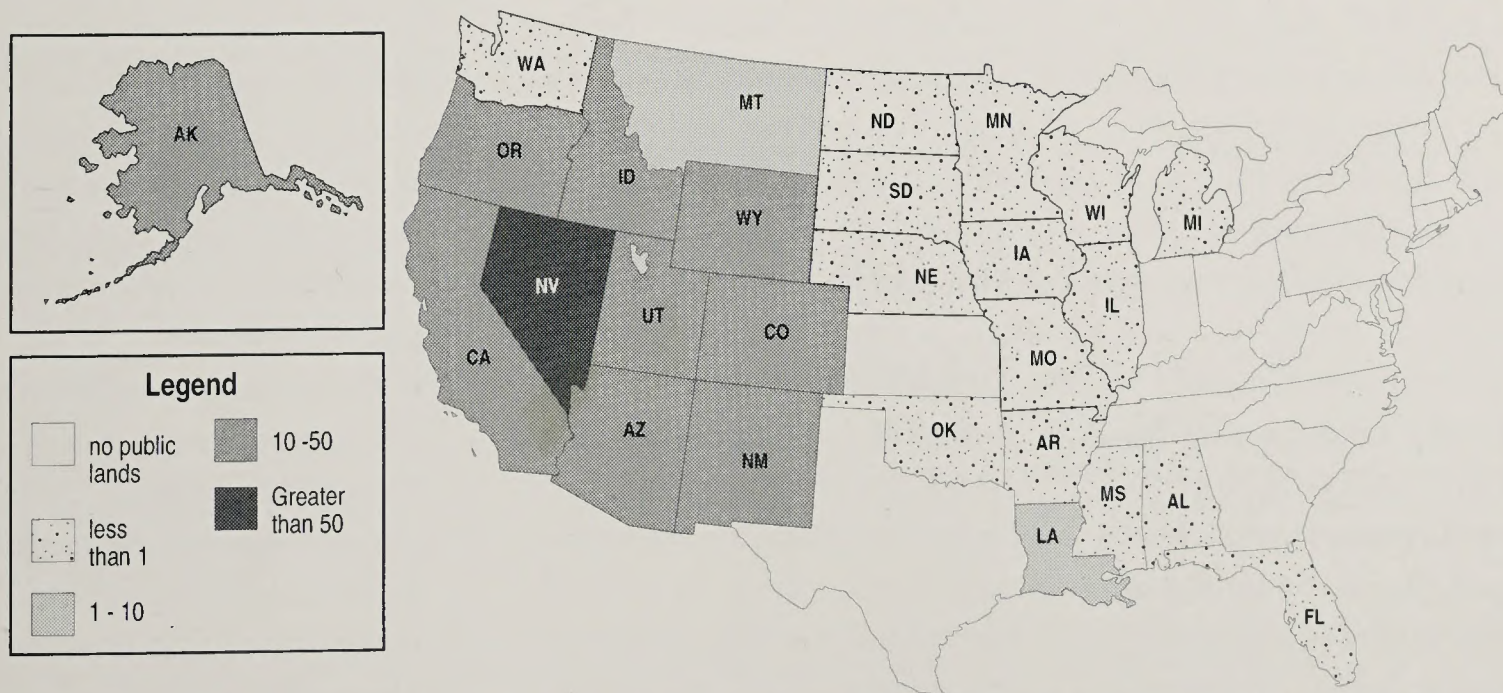
Stewardship Lands

Location of Stewardship Lands

Most of the public lands for which the BLM serves as steward were once a part of the 1.8 billion acres of "public domain" lands acquired by the Nation between 1781 and 1867. Lands managed

by the BLM represent about one-eighth of America's land surface, or approximately 41 percent of the lands under Federal ownership. The BLM manages lands in 27 states, but most of the public lands are located in Alaska and the 11 western states, encompassing Arizona, California, Colorado, Idaho, Montana, New Mexico, Nevada, Oregon, Utah, Washington, and Wyoming. Figure 1 shows the percentage of each state's surface acreage that is managed by the BLM.

Figure 1 - Percentage of Each State's Surface Acreage Managed by the BLM



Use of Stewardship Lands

The BLM is guided by the principles of multiple use and sustained yield in managing the public lands—principles that are shaped by both tradition and statute. Historically, multiple use has meant that the same area of land can be used simultaneously for two or more purposes, often by two or more different persons or groups. These uses might be complementary, or, as is frequently the case, competitive with one another. This long-term BLM management practice was codified in 1976 with the enactment of the Federal Land Policy and Management Act (FLPMA). The Congress, recognizing the value of the remaining public lands to the American people, declared that these lands generally would remain in public ownership and defined multiple use as “management of the public lands and their various resource values so they are utilized in the combination that will best meet the present and future needs of the American people.”

FLPMA requires not only that BLM’s management of the public lands avoid permanent impairment of the productivity of the land, but also that it not lead to the permanent impairment of

“the quality of the environment.” The act identifies the uses that are embraced by the multiple use concept to include mineral development; natural, scenic, scientific, and historical values; outdoor recreation; range; timber; watershed; and wildlife and fish. In managing the public lands for these uses, the BLM is constrained by the legal mandate to “protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archeological values . . . and provide for . . . human occupancy and use.”

For the BLM, land use planning is the process by which the multiple use concept is put into practice on any tract of public land. Use of the public lands and the riches they contain has changed throughout our Nation’s history and continues to evolve. Identifying the predominant use of BLM-managed lands does not adequately portray the multiple use and sustained yield concept that guides the BLM in accomplishing its basic mission.

In adhering to the concept of multiple use and sustained yield, the Bureau’s land management programs include significant efforts in restoring riparian areas and wetlands; preserving significant cultur-

al and natural features; creating opportunities for commercial activities; protecting endangered species; developing opportunities for recreation and leisure activities; protecting public health, safety, and resources; managing wild horses and burros; managing wildlife habitat and fisheries; administering mining laws; managing rangelands; overseeing forest management, development, and protection; and managing wilderness and wild and scenic rivers.

Types and Condition of Stewardship Lands

The BLM is responsible for managing a variety of land types. Table 1 shows the primary land types that are managed by the BLM, along with their general condition.

Rangeland: The BLM manages 165 million acres of rangelands in the continental United States and another 5 million acres of reindeer range in Alaska. Rangeland is land on which the native vegetation (climax or natural potential) is predominantly grasses, grass-like plants, forbs, or shrubs suitable for grazing or browsing use. Rangeland includes lands revegetated either naturally or artificially to provide a forage cover that is managed like native vegetation.

Table 1 - Type and Condition of Lands Managed by the BLM

Land Type	Acres/Miles	Condition ^{1/}
Rangeland		
a. Alaska Reindeer Range	5 Million Acres	Late seral (good)All
		<u>2/</u> <u>3/</u> <u>4/</u>
b. Continental USA Range	165 Million Acres	Potential natural community (excellent)5 % Late seral (good)29 % Mid seral (fair)38 % Early seral (poor)12 % Unclassified ^{5/}16 %
Forested Land		
a. Forestlands	11 Million Acres	43 Million AcresProductive
b. Woodlands	36 Million Acres	4 Million AcresNeeding Restoration ^{7/}
Riparian Areas and Wetlands	<u>6/</u>	
a. Riparian Areas	177,000 Miles 7 Million Acres	Alaska Properly Functioning91 % Functioning but at RiskTrace Nonfunctional1 % Unknown8 % Lower 48 States Properly Functioning36 % Functioning but at Risk35 % Nonfunctional9 % Unknown20 %
b. Wetlands	13 Million Acres	Alaska Properly Functioning98 % Functioning but at RiskTrace NonfunctionalTrace Unknown2 % Lower 48 States Properly Functioning41 % Functioning but at Risk13 % Nonfunctional2 % Unknown44 %
Aquatic Areas (Lakes, Reservoirs, and Streams)	2 Million Acres 205,500 Miles	Alaska: Good Lower 48 States: Poor
Other Habitat	25 Million Acres	Unclassified

¹ **Impact of Hazardous Materials on the Condition of the Public Lands:** The cumulative direct impacts of the identified future liability hazardous materials sites will be very small nationally or even regionally. It is the goal of the BLM to achieve cleanup of these sites, and as needed, to restore the functions of adversely affected natural resources.

² **Impact of Noxious Weeds on the Condition of the Public Lands:** Noxious weeds currently infest about 8.5 million acres, or 5 percent of BLM's 165 million acres of rangeland in the continental United States. The BLM strategy for preventing and controlling the spread of noxious weeds on the BLM public lands is called "Partners Against Weeds."

³ This is a composite of rangeland condition classification since most of the public lands have not been classified under the newer ecologically based classification. The older range condition classification as depicted here rates the rangelands' ability to produce forage.

⁴ Bureauwide, only 52 percent of rangeland has been inventoried using Ecological Site Inventories or the Soil-Vegetation Inventory Method. The percentage by State is as follows: Arizona, 54 percent; California, 16 percent; Colorado, 49 percent; Idaho, 41 percent; Montana, 86 percent; Nevada, 57 percent; New Mexico, 80 percent; Oregon, 67 percent; Utah, 61 percent; and Wyoming, 38 percent.

⁵ The unclassified condition for "Rangeland" refers to lands such as dry lakebeds, rock outcrops, and other areas for which data has not been gathered.

⁶ The BLM's definition of riparian areas excludes stream reaches where water flows for only brief periods during storm runoff events (ephemeral streams). Original estimates of riparian extent were based on generalized United States Geological Survey stream network information. Intensive field assessments have provided additional data that has been used to exclude ephemeral stream reaches and refine estimates, thereby reducing the total number of riparian miles. The reduction of wetland area estimates is a result of advances in mapping technology used in Alaska. Greater accuracy in classifying and measuring resources is possible using remote sensing techniques, various sources of imagery, and Geographic Information System (GIS) computer technology.

⁷ Although condition assessment surveys, per se, are not normally performed on forestlands and woodlands, experts in the BLM estimate that approximately 4 million acres are in need of ecological restoration work, including mechanical forest thinning/fuel reduction, prescribed fire treatments, and tree species reintroduction.

Rangelands encompass natural grasslands, savannahs, shrublands, most deserts, tundra, alpine communities, coastal marshes, and wet meadows.

Rangeland Management: The 165 million acres of rangelands in the continental United States are managed under the multiple use concept defined in FLPMA. Under that concept and law, the BLM manages rangelands to offer uses and values far beyond what many people would have thought years ago to be possible for "the lands that no one wanted."

Among the many attributes and values that the public lands offer, well-managed rangelands produce forage and habitat for domestic and wild ungulates, as well as many other forms of wildlife. Rangelands also supply water to communities and municipalities as a result of their watershed functions, capturing and filtering water through the hydrologic cycle. And they supply open space and room for a growing number of recreationists in the form of hunting, fishing, camping, hiking, and other forms of outdoor recreation.

The use of rangelands for grazing is supported not only by FLPMA, but also by the Public Rangelands

Improvement Act of 1978 (PRIA), and one of BLM's founding laws, the Taylor Grazing Act of 1934 (as amended). The Taylor Grazing Act, which confers broad powers upon the Department of the Interior for the multiple use management of natural resources, is one of the major conservation laws of the Nation. The Act also contains very direct language requiring the BLM to stop injury to the public grazing lands by preventing overgrazing and soil deterioration; to provide for their orderly use, improvement, and development; and to stabilize the livestock industry that depends upon the public range.

The BLM plays a significant role in managing the grazing of domestic livestock on public lands. Most of the grazing capacity on the public lands is committed and has been since the early days of the Bureau. The primary domestic livestock that are permitted for grazing use are cattle and sheep. However, horses, goats, and bison are occasionally permitted.

Rangeland Condition: The condition of rangeland managed by the BLM is expressed as the degree of similarity of present vegetation to the potential natural plant community.

- The condition classification of "potential natural community" means that the current vegetation is between 76 and 100 percent similar to the potential natural plant community.
- The classification of "late seral" means that the current vegetation is between 51 and 75 percent similar to the potential natural plant community.
- The classification of "mid seral" means that the current vegetation is between 26 and 50 percent similar to the potential natural plant community.
- The condition classification of "early seral" means that the current vegetation is between zero and 25 percent similar to the potential natural plant community.

Forestlands and Woodlands:

Approximately one-sixth of the land under BLM jurisdiction is forestland. Forestlands managed by the BLM include black and white spruce in Alaska; aspen, lodgepole pine, ponderosa pine, interior Douglas fir, and associated species of the Intermountain West; the pinyon-juniper woodlands of the Great Basin and the Southwest; and the Douglas fir, hemlock, and cedar

forests of western Oregon and northern California.

Forestlands are generally defined as lands capable of growing trees for harvest, land at least ten percent stocked with trees of any species and size, or lands that were stocked, have been harvested, and will be replanted. Commercial forestlands are capable of growing 20 or more cubic feet of wood per acre per year. Other forestlands not capable of producing 20 cubic feet of wood per acre per year, generally because of poor site growing conditions, are classified as woodlands. Woodland trees are often small and interspersed with grass and brush.

Forest and woodlands encompass approximately 47 million acres. About 22 million acres are in Alaska, with the remaining 25 million in the 11 western states. Of this 47 million acres of forestland, less than 4 million acres outside of Alaska are actually classified as "forestland". Although Alaska has about 7 million acres that are capable of producing timber, most of this land is inaccessible or too far from established markets to make timber harvest feasible. Timber development has also been deferred there until State selection, Native claims, withdrawals, and

other dispositions are completed. Of the 2.1 million acres of commercial forestland in western Oregon, about 492,000 acres are intensively managed for timber. Table 2 shows the distribution of the 47 million acres of forestlands and woodlands by state.

Table 2 - Forestland and Woodland Distribution by State		
State	Forestland (Thousand Acres)	Woodland (Thousand Acres)
Alaska	7,000	15,000
Arizona	17	1241
California	186	861
Colorado	470	3,535
Idaho	332	527
Montana	475	339
Nevada	87	4,488
New Mexico	450	1,875
Oregon	2,146	1,627
Utah	4	6,418
Wyoming	210	211

Forestland and Woodland Management: All BLM forestlands are managed under the principles of multiple use, sustained yield, and environmental quality protection in accordance with the Federal Land Policy and Management Act (FLPMA). Management of values and uses such as recreation, aesthetics, water quality, wildlife habitat, and wilderness, as well as timber production, is accomplished through an ecologically-based program that emphasizes biological diversity, sustainability, and

the long-term health of forests and woodlands.

Outside of western Oregon, forest and woodlands management has been largely custodial, consisting of basic resource protection and providing recreation, wildlife habitat, and livestock grazing opportunities. Where local demand exists, woodlands management includes the sale of forest products such as fuelwood, posts and poles, wildings, edibles, medicinals, Christmas trees, and other commodities generally purchased by individuals for their own consumption.

By far the most valuable and intensively managed forest lands of the BLM are the 2.1 million acres in western Oregon known as the "Oregon and California (O&C) railroad grant lands" and the "Coos Bay Wagon Road (CBWR) grant lands." These highly productive lands are managed under the Northwest Forest Plan to provide a sustainable supply of both timber and nontimber resources. The O&C and CBWR lands produce about 95 percent of the total volume of timber harvested annually from BLM forests.

Forestland and Woodland Condition: BLM forestlands and woodlands classified as productive provide for recre-

ation use and forest products as well as wildlife habitat and watershed protection.

In the past few years, the traditional emphasis of forest management has changed. Attention is now focused on the condition of forestlands and woodlands managed by the BLM as expressed in terms of forest health. Forest health is characterized by such factors as age, structure, composition, function, vigor, presence of unusual levels of insects or disease, and resilience to disturbance. Overall forest health of BLM forests is declining due primarily to the exclusion of frequent, low-intensity fires. Exclusion of natural fires in forest and woodland ecosystems has led to tree population explosions, dead fuel accumulation, and landscape-level species composition changes that now seriously threaten the health of public forests and increase the risk of large, catastrophic wildfires, as well as extensive insect and disease epidemics.

The BLM has actively addressed forest health issues by accelerating salvage harvesting using an ecosystem approach, where this can be done without long-term adverse impacts to other resource values. Interagency assessment of forest health is underway for the Columbia

River Basin. The BLM is currently reviewing an inventory and monitoring methodology to assess the condition of forestlands and woodlands on all public lands. However, it will probably take several years to implement and will require additional staff and budget. From the information available at this time, it is estimated that nearly 4 million acres of forestlands and woodlands are in need of ecological restoration work, including mechanical forest thinning and fuel reduction, prescribed fire treatments, and tree species reintroduction.

Riparian Areas and Wetlands: Riparian areas are lands adjacent to creeks, streams, and rivers where vegetation is strongly influenced by the presence of water. Riparian areas may constitute less than 1 percent of the land area in the western part of the United States, but they are among the most productive and valuable of all lands.

On the BLM public lands in western Oregon and California, riparian areas are characterized by a zone of deciduous trees and shrubs between the streams and conifer forests. In Alaska, riparian areas are composed of willows, alders, and mead-

ow grasses along rivers, lakes, and bogs. In the arid climate of the Great Basin and Southwest, riparian areas are gems in the desert, characterized by grasses, forbs, sedges, woody shrubs, and trees, and are easily distinguished from dryer upland vegetation.

Wetlands are generally defined as areas inundated or saturated by surface water or groundwater at a frequency and duration sufficient to support vegetation that is typically adapted for life in saturated soil. Wetlands include bogs, marshes, shallows, muskegs, wet meadows, and estuaries.

Healthy riparian-wetland systems purify water as it moves through the vegetation by removing sediment, and act like a sponge by retaining water in streambanks and ground water aquifers. Riparian-wetland vegetation along upper watershed streams can absorb and dissipate the energy of floodwaters before they reach high-value agricultural lands in lower valleys.

Riparian and Wetland Management: BLM's Riparian-Wetland Initiative for the 1990s has been the operating premise for the BLM since 1991. This initiative provides the blueprint for managing and restoring riparian-wetland areas

encompassing about 13 million acres of wetlands and 177,000 miles of riparian areas on BLM's public lands. Overall, riparian-wetland areas account for about 8 percent of the 264 million acres of land under BLM management.

Many wildlife species depend upon the unique and diverse habitat niches offered by riparian wetland areas. These habitats provide food, water, shade, and cover, and they are valuable sources of forage for big game and livestock.

Riparian-wetland areas provide habitat for more than 42 percent of all the mammals in North America. They are also stop-over areas for thousands of migrating birds. Riparian-wetland vegetation is of critical importance for fish, especially for trout in desert streams, where the vegetation provides escape cover, lowers summer water temperatures through shading, and reduces streambank erosion that can silt-in spawning and rearing areas.

Finally, riparian areas are focal points for recreation, including fishing, camping, boating, and hiking.

Riparian and Wetland Condition: The condition of

riparian-wetland areas is determined by the interaction of geology, soil, water, and vegetation.

- “Properly functioning” means that adequate vegetation, landform, or large woody debris is present to dissipate stream energy associated with high waterflows; to filter sediment, capture bedload, and aid floodplain development; to improve flood-water retention and groundwater recharge; to develop root masses that stabilize streambanks against cutting action; to develop diverse ponding and channel characteristics; and to support greater biodiversity.
- The “functioning but at risk” classification means that areas are susceptible to degradation due to soil, water, or vegetation characteristics.
- “Nonfunctional” means that areas do not provide adequate vegetation, landform, or large woody debris to dissipate stream energy, and consequently do not reduce erosion or improve water quality.
- The “unknown” classification applies to areas where sufficient information has not been collected to determine condition.

Aquatic Areas: These are areas of water flow or standing water that include about 2 million acres of lakes, 182,000 acres of reservoirs, and approximately 205,000 miles of fishable streams. These waters contain a wide variety of aquatic species that range from rare resident species, such as the desert pupfish, to endangered and threatened anadromous species such as steelhead and chinook salmon. These species and their environment depend on the appropriate use and stewardship of rangelands and riparian areas, as well as environmentally sensitive mining practices.

Aquatic Area Management: Many BLM activities relate directly or indirectly to management of aquatic resources. In addition to resident and anadromous fisheries management, threatened and endangered species initiatives, and Wildlife 2000, the BLM has implemented standards for rangeland health and guidelines for watersheds, riparian areas and wetlands, stream channels, and water quality. These activities, along with forestry, soil, air, and water initiatives, will contribute to the maintenance and restoration of aquatic habitats. Listings of fish and other aquatic organisms under the Endangered

Species Act will require the BLM to develop management plans and continue activities that will restore and improve aquatic habitat. The Fishery Resources Conservation Plan, which was developed in response to Executive Order 12962, requires the BLM to enhance recreational angling on public lands; the BLM has provided additional access for fishing opportunities under this plan. One of the Bureau's major goals is to restore native fish species through "Bring Back the Natives," its flagship partnership with Trout Unlimited, the National Fish and Wildlife Foundation, and other Federal and Tribal partners. The BLM also has partnerships through Watershed Coalitions with numerous other Federal and state agencies, local governments, private partners, non-governmental organizations, and tribes throughout the West to restore and manage aquatic systems. With continued involvement in these partnerships, aquatic habitats on BLM-administered lands should continue to improve over the next decade.

Aquatic Area Condition: The BLM has not assessed the condition of all the aquatic habitats that it manages. Aquatic condition is highly variable on BLM-managed

public lands. For instance, the condition of the over 96,000 miles of perennial streams in Alaska is good; of the 15,145 miles of BLM-administered streams in Alaska occupied by anadromous fish species, only about 2 percent have been impacted by mining activities, roads, and oil and gas development. The remaining stream miles in Alaska have experienced little or no human impact and are generally considered to be in good to excellent condition.

In the 11 western states where the BLM manages large tracts of public land, the condition of some aquatic areas ranges from good to excellent, including the 2,038 miles of rivers designated as Wild and Scenic. However, conditions are degraded or poor in many areas that have been impacted by activities such as cattle grazing, mining, timber harvesting, and road building. For the 3,676 miles of BLM-administered streams in Oregon, Washington, Idaho, and California that support salmon and trout, habitat conditions range from poor to excellent. In BLM states without salmon and steelhead populations, such as Colorado and Arizona, about 46 percent of the 4,347 miles of BLM-administered streams in Colorado and 34

percent of the 1,860 miles of streams in Arizona are in properly functioning condition; about 34 percent and 51 percent, respectively, are functioning-at-risk; and about 16 percent and 2 percent, respectively, are not functioning properly. (The status of the remaining stream miles in these two states is not known.) A similar range of conditions in aquatic areas prevails in the other western states.

Other Habitat: Lands classified as other habitat are areas that generally do not provide forage in sufficient amounts to sustain wildlife or grazing animals. This land type includes mountaintops, glaciers, barren mountains, sand dunes, playas, hot-dry deserts, and other similar areas.

Net Change in Stewardship Land Acreage from 1997 to 1998

Lands under the exclusive jurisdiction of the BLM at the end of fiscal year 1998 decreased by approximately 308,000 acres from year-end fiscal year 1997. This represents a reduction of 0.12 percent, which resulted from the net effect of acquisition, disposal, exchange, withdrawal, and restoration transactions. Most of the overall decrease in acreage occurred in Alaska.

Natural Heritage Assets

Protecting and Enhancing the Natural and Human Environment

Guided by the principles of multiple use and sustained yield in managing the public lands, the BLM has recognized the need to protect and enhance the natural and human environment.

Special management areas have been designated by congressional and administrative

action. Congress has established national trails, Wild and Scenic Rivers, and wilderness areas, to name a few. Administratively designated areas include recreation areas, primitive areas, natural areas, resource conservation areas, areas of critical environmental concern, and others.

Types of Special Management Areas

Although the BLM manages heritage assets that are not

specifically in designated areas, significant portions of the public lands have been congressionally or administratively designated as special management areas. These special management areas have been designated to preserve their natural heritage values. Table 3 provides a summary of designated special management areas, along with their number and size. In general, the ecological condition of these areas is addressed under the closest land type in Table 1. For

Table 3 - Number and Size of Designated Special Management Areas

Special Management Area ¹	Number	Total Acres ²	Total Miles ²
National Wild and Scenic Rivers [c]	34	956,688	2,038
Wilderness Areas [c]	136	5,243,012	
Wilderness Study Areas [a and c]	622	17,298,430	
National Conservation Areas [c]	8	11,692,190	
Santa Rosa Mountains National Scenic Area [c]	1	101,000	
White Mountain National Recreation Area [c]	1	1,000,000	
National Historic Trails [c]	8		3,530
National Scenic Trails [c]	2		568
Yaquina Head National Outstanding Natural Area [c]	1	100	
Herd Management Areas [a]	201	33,168,712	
Grand Staircase-Escalante National Monument [p]	1	1,900,000	
Areas of Critical Environmental Concern [a]	739	13,110,029	
National Natural Landmarks [a]	43	599,042	
Research Natural Areas [a]	152	347,214	
National Recreation Trails [a]	26		429
National Back Country Byways [a]	64		3,518
Globally Important Bird Areas [a]	2	56,500 ³	

¹ Congressional designations are identified by [c]. Administrative designations are identified by [a]. Designations by Presidential Proclamation are identified by [p].

² These quantities are also reported in the Stewardship Lands section of this report under the land type applicable to the special management area.

³ The acreage for Globally Important Bird Areas is also contained in National Conservation Areas and the Yaquina Head National Outstanding Natural Area.

example, a wilderness study area that is predominantly rangeland would be considered to be in at least the same ecological condition as the surrounding rangeland. Many of these special management areas contain various quantities of each of the land types described in Table 1.

National Wild and Scenic Rivers: The BLM administers some 20 percent of all rivers in the National Wild and Scenic Rivers System, a total of 34 rivers in five states. These nationally recognized rivers comprise over 2,000 river miles and encompass some of the Nation's greatest diversity and concentrations of recreational, natural, and cultural resources. Included among the BLM-managed Wild and Scenic Rivers is the

Fortymile River in Alaska, which is the longest designated river (392 miles) in the National Wild and Scenic Rivers System.

Rivers designated in the National Wild and Scenic Rivers System are classified in one of three categories, depending on the extent of development and accessibility along each section. In addition to being free flowing, these rivers and their immediate environments must possess at least one outstandingly remarkable value—scenic, recreational, geologic, fish and wildlife, historical, cultural, or other similar values.

Wilderness Areas and Wilderness Study Areas:

The BLM administers 136 wilderness areas consisting of 5.2 million acres, as well as

622 wilderness study areas encompassing approximately 17 million acres. Nearly 9 percent of all the BLM-managed public lands are designated as either a wilderness or wilderness study area.

The locations of these wilderness areas and wilderness study areas throughout the western United States ensure that these lands represent the wide diversity of resources found on the public lands. Protective management helps ensure the protection and integrity of natural and biological processes on all public lands. Figures 2 and 3 show the percentage of wilderness and wilderness study acreage by state.

The National Wilderness Preservation System was created by the Wilderness Act of 1964. A wilderness area is

Figure 2 - Percentage of Wilderness Acreage by State

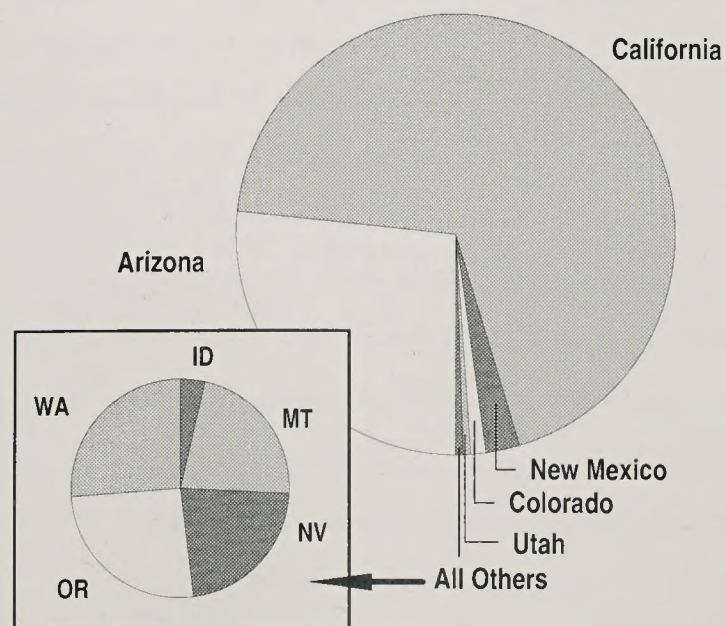
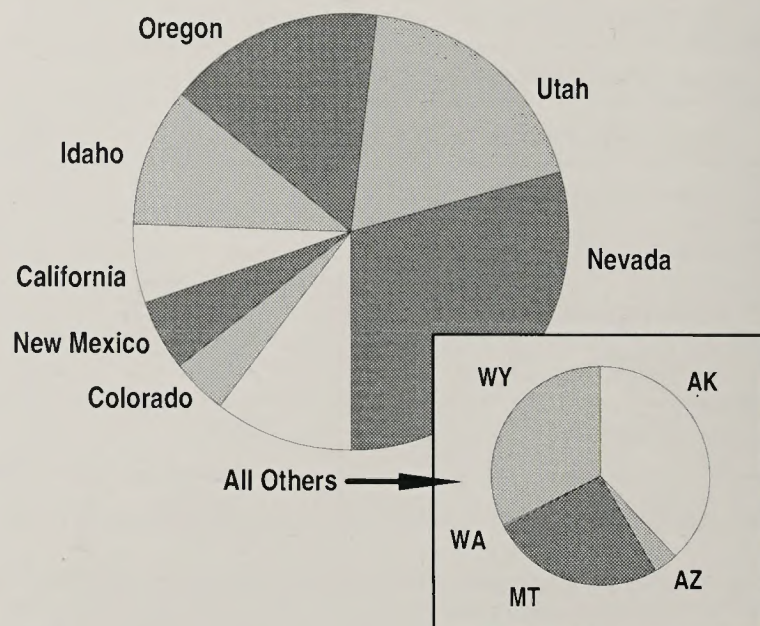


Figure 3 - Percentage of Wilderness Study Acreage by State



an area designated by Congress to assure that increasing populations, expanding settlement, and growing mechanization do not occupy and modify all areas of the United States. Designations ensure that certain lands are preserved and protected in their natural condition. In contrast to those areas where man and his works dominate the landscape, wilderness is where the earth and its community of life are untrammelled by man, where man himself is a visitor who does not remain.

National Conservation Areas: The BLM manages eight National Conservation Areas (NCAs) totaling almost 12 million acres. Congress designates NCAs so that present and future generations of Americans can benefit from the conservation, protection, enhancement, use, and management of these areas by enjoying their natural, recreational, cultural, wildlife, aquatic, archeological, paleontological, historical, educational, and/or scientific resources and values. Table 4 shows the name, location, and acreage of BLM's eight National Conservation Areas.

National Scenic Areas: The BLM manages one national scenic area: the Santa Rosa Mountains National Scenic

Area in California, which encompasses approximately 101,000 acres. This area was designated by Congress in 1990 to provide for the conservation and protection of scenic, recreational, and pastoral values and to provide for their enhancement.

National Recreation Areas: A National Recreation Area is an area designated by Congress to assure the conservation and protection of natural, scenic, historical, pastoral, and fish and wildlife values and to provide for the enhancement of recreational values. The White Mountain National Recreation Area in Alaska encompasses 1 million acres and is named for its unusual white limestone cliffs. One of its most prominent features is a 127-mile segment of the Beaver Creek National Wild River that flows from the high alpine tundra of Mount Prindle.

National Historic Trails: The National Historic Trails designated by Congress and managed by the BLM are part of a national treasure that benefits all Americans. National Historic Trails are established to identify and protect historic routes; they follow as closely as possible the original trails or routes of travel of national historic significance. The purpose of designation is to identify and protect historic routes and their historic remnants and artifacts for public use and enjoyment.

The BLM manages over 3,500 miles representing eight of these trails, more than any other Federal agency. These trails include the Iditarod, Juan Bautista De Anza, California, Nez Perce, Lewis and Clark, Oregon, Mormon Pioneer, and Pony Express.

Table 4 - Name, Location, and Acreage of National Conservation Areas

National Conservation Area	Location	Acreage
Steese NCA	Alaska	1,200,000
San Pedro Riparian NCA	Arizona	56,400
Gila Box Riparian NCA	Arizona	20,767
King Range NCA	California	56,025
California Desert NCA	California	9,500,000
Snake River Birds of Prey NCA	Idaho	484,873
Red Rock Canyon NCA	Nevada	112,125
El Malpais NCA	New Mexico	262,000

National Scenic Trails: The National Scenic Trails, also established by an Act of Congress, are intended to provide for maximum outdoor recreation potential and for the conservation and enjoyment of nationally significant scenic, historical, natural, and cultural qualities of the areas through which these trails pass. The BLM manages almost 600 miles along two National Scenic Trails—the Continental Divide National Scenic Trail and the Pacific Crest National Scenic Trail. National Scenic Trails may be located to represent desert, marsh, grassland, mountain, canyon, river, forest, and other areas, as well as land forms that exhibit significant characteristics of the physiographic regions of the Nation.

The 3,100-mile Continental Divide National Scenic Trail stretches from Canada to Mexico, along the spine of the Rocky Mountains, through some of the most breathtaking and challenging country in America. The Trail crosses approximately 460 miles of BLM-managed public lands in Montana, Idaho, Wyoming, Colorado, and New Mexico. In addition to BLM-managed public lands, the Trail travels through 25 National Forests, passes through three units of

the National Park Service, and crosses Indian Reservations and parcels of state and private property.

The Pacific Crest National Scenic Trail, stretching 2,600 miles from Canada to Mexico, traverses some of the most magnificent back country in the states of Washington, Oregon, and California. The Trail treks over hills and through valleys, ranging in elevation from near sea level at the Columbia River to more than 13,000 feet near Mount Whitney. The path wanders across canyons, meanders by lakes, climbs mountain passes, and navigates through arid desert. A significant 42 mile section in southern Oregon is managed by the BLM.

National Outstanding Natural Areas: National Outstanding Natural Areas are areas designated either by Congress or administratively by an agency to preserve exceptional, rare, or unusual natural characteristics and to provide for the protection and/or enhancement of natural, educational, or scientific values. These areas are protected by allowing physical and biological processes to operate, usually without direct human intervention. The BLM manages one such area, the Yaquina Head

National Outstanding Natural Area, consisting of 100 acres.

The Yaquina Head National Outstanding Natural Area located in Newport, Oregon, was established by Public Law 96-199 on March 5, 1980. Yaquina Head encompasses a mile long by one-half mile wide headland that juts due west into the Pacific Ocean. It is dominated by the Yaquina Head Lighthouse, a National Historic Register structure. The natural resources include one of four Marine gardens in Oregon, one of the largest seabird rookeries on the Pacific coast, the world's only manmade handicapped-accessible tidepools (in a restored quarry), marine mammal resting sites, and gray whale viewing, as well as bird and wild flower viewing opportunities in the uplands.

Yaquina Head has been designated as a *Globally Important Bird Area* by the American Bird Conservancy and the National Audubon Society. The area, which is bordered by sheer cliffs rising 100 feet or more above the ocean, features sea caves and numerous off-shore rocks and islands, making the site spectacular to view under all weather conditions.

Herd Management Areas:

The Wild Free-Roaming Horse and Burro Act of 1971 requires that wild free-roaming horses and burros be considered for management where they were found at the time Congress passed the Act. The BLM identified 264 areas of use as Herd Areas. The BLM then established Herd Management Areas (HMAs) for wild and free-roaming horses and burros through the land use planning process. The BLM manages 201 HMAs in ten western states: Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, and Wyoming. The current population of wild horses and burros on public lands in these states is approximately 44,500 animals, with just over 50 percent of these animals located in Nevada. Wild burros are primarily found in the Mojave desert in Arizona, California, and southern Nevada.

Approximately 33.2 million acres of land have been designated for these wild and free-roaming animals.

Through the evaluation of rangeland monitoring and census data for HMAs, the BLM establishes an appropriate management level for wild horses and burros in balance with other rangeland uses. As the health of the

land improves, the health of the herds is improving as well.

The BLM has designated four wild horse and burro ranges. There are three wild horse ranges, one each in Colorado, Montana and Nevada, and one wild burro range in Nevada. The BLM manages these ranges principally, but not necessarily exclusively, for the welfare of wild horses and burros, in keeping with the multiple-use management concept for the public lands.

National Monuments: A National Monument is an area designated to protect objects of scientific and historic interest by public proclamation of the President under the Antiquities Act of 1906, or by the Congress for historic landmarks, historic and pre-historic structures, or other objects of historic or scientific interest situated upon the public lands; designation also provides for the management of these features and values. The BLM manages one monument.

The Grand Staircase-Escalante National Monument, created by Presidential Proclamation on September 18, 1996, is a dramatic, multi-hued landscape that is rich in natural and human history.

Extending across 1.9 million acres of Utah public lands managed by the BLM, the Monument represents a unique combination of archeological, historical, paleontological, geological, and biological resources. The Monument is unique among the public lands of the United States. Its size and geology, along with the scientific value of its lands, set it apart from other national monuments.

Areas of Critical Environmental Concern:

Areas of Critical Environmental Concern (ACECs) are areas where special management is needed to protect important historical, cultural, scenic, and natural areas, or to identify areas hazardous to human life and property. A total of 739 ACECs encompassing more than 13 million acres have been designated on the public lands nationwide. Approximately 7 million acres of this total have been designated to protect their biological resource values. Table 5 shows the location, number, and acres of ACECs, which are designated and protected through the land-use planning process.

National Natural Landmarks: The BLM manages 43 National Natural Landmarks

Table 5 - Areas of Critical Environmental Concern

State	Number of ACECs	Number of Acres
Alaska	29	5,909,201
Arizona	49	659,501
California	120	1,363,829
Colorado	66	623,286
Eastern States	1	54
Idaho	79	517,479
Montana	27	117,636
Nevada	30	1,006,632
New Mexico	86	510,946
Oregon	168	609,951
Utah	47	1,097,619
Wyoming	37	693,895
Totals	739	13,110,029

encompassing close to

600,000 acres of public land. These special management areas are of national significance as sites that exemplify one of a natural region's characteristic biotic or geologic features. The site must have been evaluated as one of the best known examples of that feature.

National Natural Landmarks must be located within the boundaries of the United States or on the Continental Shelf and are designated by the Secretary of the Interior. To qualify as a National Natural Landmark, the area must contain an outstanding representative example(s) of the Nation's natural heritage, including terrestrial commu-

nities, aquatic communities, landforms, geological features, habitats of native plant and animal species, or fossil evidence of the development of life on earth.

Research Natural Areas:

Research Natural Areas are special management areas designated either by Congress or by a public or private agency to preserve and protect typical or unusual ecological communities, associations, phenomena, characteristics, or natural features or processes for scientific and educational purposes. They are established and managed to protect ecological processes, conserve biological diversity, and provide opportunities for observation for research and education.

Research Natural Areas may be designated separately or as a part of other administrative designations such as Areas of Critical Environmental Concern. Research proposals and activities may be allowed if they do not interfere with natural processes. These areas may consist of diverse vegetative communities, wildlife habitat, unique geological formations, cultural resource values, and other values identified by physiographic province as outlined in state or agency natural heritage planning documents. The BLM manages

152 Research Natural Areas comprising over 347,000 acres.

National Recreation Trails:

National Recreation Trails do not require congressional approval; they are established administratively by the Secretary of the Interior. These trails are intended to provide for a variety of outdoor recreation uses in or reasonably close to urban areas. They often serve as connecting links between the National Historic Trails and National Scenic Trails. More than 800 National Recreation Trails currently exist nationwide.

The BLM manages over 400 miles along 26 National Recreation Trails. The Bureau's National Recreation Trails encompass incredibly diverse landscapes, from the depth of Horsethief Cave in Wyoming to the 9,000-foot crest of Bald Mountain in Idaho. The length of National Recreation Trails ranges from 0.5 mile to 150 miles.

National Back Country

Byways: The BLM manages 64 designated National Back Country Byways totaling over 3,500 miles in 11 states. The Back Country Byway program was developed by the BLM to complement the National Scenic Byway

program. The Byways show enthusiasts the best the West has to offer—from the breathtaking thunder of waterfalls to geology sculpted by ancient volcanoes, glaciers, and rivers. The Byways vary from narrow, graded roads, passable only during a few months of the year, to two-lane paved highways providing year-round access.

The BLM’s Back Country Byways provide outstanding recreation opportunities through public lands ranging from soaring mountains and alpine meadows, to sagebrush prairie and saguaro cactus desert. Many of these routes are remote and little-known, providing solitude and spectacular scenery.

Back Country Byways explore Oregon’s lush Coast

Range, thread over Colorado’s lofty San Juan Mountains, follow Lewis and Clark’s epic journey across Montana and Idaho, pass ancient Anasazi petroglyphs in Utah, and border the Rio Grande’s wild gorge in New Mexico. Travelers can find old forts, ghost towns, fossils, wildlife, hot springs, and dormant volcanoes along these narrow ribbons through the Nation’s public lands.

Globally Important Bird Areas: Globally Important Bird Areas (IBAs) consist of a network of sites and areas in North America identified and protected to maintain naturally occurring bird populations across the ranges of those species. IBAs are important for maintaining critical habitats and ecosys-

tems. This network of areas represents areas critical to the conservation of some bird species and may include the best examples of the species’ habitat. IBAs are established to ensure species’ survival.

The BLM manages two IBAs encompassing approximately 56,500 acres. The two areas are the San Pedro Riparian National Conservation Area in Arizona and the Yaquina Head National Outstanding Natural Area in Oregon.

Net Change in Natural Heritage Assets from 1997 to 1998

Table 6 provides the net change in natural heritage designations from fiscal year 1997 to fiscal year 1998.

Table 6 - Net Change in Natural Heritage Designations			
Special Management Area	Net Change in Number	Net Change in Total Acres	Net Change in Total Miles
National Wild and Scenic Rivers		+ 4,864	+ 16
Wilderness Areas		-8,351	
Wilderness Study Areas		-722,119	
National Conservation Areas		+ 2,416	
Santa Rosa Mountains National Scenic Area		+ 35,720	
National Historic Trails	-1		-60
National Scenic Trails			+ 66
Herd Management Areas	+ 2	+ 960	
Grand Staircase-Escalante National Monument		+ 185,000	
Areas of Critical Environmental Concern	+ 43	+2,738,447	
Research Natural Areas	+ 52	+ 20,765	
National Back Country Byways	-5		

Museum Collections

Museum collections under BLM's stewardship consist principally of archaeological and paleontological materials.

- Archaeological materials include the material remains of past human life and activities. They include such objects as skeletal remains; wood, stone, and metal tools; weapons and decorative objects; portions of buried structures; and plant remains.
- Paleontological materials are the fossilized remains or traces of plant or animal life from past geological periods.

Collections in Non-Federal Facilities

Scientific investigations have been taking place on what is now BLM-administered land for almost two centuries. During this time, the individuals and institutions conducting this work have removed millions of objects, primarily archaeological, physical anthropological, historical, and paleontological materials. The bulk of these materials were transported to non-Federal facilities, includ-

ing museums, universities, and historical societies. To date, the BLM has identified 189 of these non-Federal facilities where untold millions of objects originating from the public lands reside.

Among Federal agencies, the BLM is in the unique and unenviable position of being responsible for the largest number of museum collections in non-Federal facilities. This responsibility stems from the requirement for any archaeological or paleontological materials removed from the public lands to be held in public trust in perpetuity.

Because such a large number of BLM museum collections are housed in non-Federal facilities, the relationship with these curatorial facilities is crucial to the continued management and protection of these collections. These institutions provide access to researchers and scientists, develop public displays utilizing these collections, and, in the eastern United States, make collections accessible to segments of the population that might not otherwise be able to view such materials.

In some instances, a substantial portion of the collections in non-Federal institutions is composed of museum objects originating from

BLM public lands—approximately 85 percent in some museums in Utah. These facilities agreed to assume responsibility for collections prior to the development of the regulations found in 36 CFR Part 79, which imposed an unanticipated and substantial burden on non-Federal facilities to more systematically account for and preserve museum collections.

The BLM's concerted effort to locate facilities holding materials originating from BLM administered lands has thus far revealed that there are 189 professional facilities in 34 states and Canada: 123 holding archaeological materials; 84 holding paleontological materials; 6 holding historical materials; 4 holding biological materials; 2 holding ethnological materials; and 1 holding artwork (with some facilities holding more than one type of material). As there are constant projects and excavations taking place on the public lands, there has been a net increase in collections in the past year.

Collections in Federal Facilities

In addition to the millions of objects residing in non-Federal facilities, the BLM curates at least 3.5 million more objects in three BLM

facilities—the Anasazi Heritage Center in Dolores, Colorado, the Billings Curation Center in Billings, Montana, and the National Historic Oregon Trail Interpretive Center in Flagstaff Hill, Oregon.

Anasazi Heritage Center:

The Anasazi Heritage Center focuses on the preservation of, access to, and use of archaeological collections and archives, as well as supporting and providing exhibits and interpretive programs. Anasazi Heritage Center programs promote:

- An understanding of the cultural landscape of the Four Corners in broad context;
- An understanding of the varied human populations through time and their interaction with each other and the resources of the land;
- An awareness of the Anasazi Heritage Center's role in supporting the continuity of cultural diversity in the region; and
- An understanding and appreciation of the diverse patterns of living in the cultural landscape.

At the close of fiscal year 1998, the Anasazi Heritage

Center's collections were estimated to consist of 3 million specimens, 65 percent of which are entered in the Argus collections management database system. At the present time, the collection at the Anasazi Heritage Center occupies a total of 12,500 square feet of space.

Billings Curation Center:

The Billings Curation Center was established to curate artifacts and records collected from public lands in Montana, North Dakota, and South Dakota. The Center was created as a result of a 1984 study that found that curation space in these states was inadequate. It is jointly funded by the Missouri Region of the Bureau of Reclamation, the Custer National Forest, the Bureau of Indian Affairs, and BLM's Montana State Office, and is operated by a curator supervised by BLM's Montana State Office archaeologist. The Billings Curation Center holds approximately 500,000 artifacts and associated records from public lands in the three-state area identified above. These collections represent nearly 12,000 years of prehistory and history in the Northern Plains.

National Historic Oregon Trail Interpretive Center:
The Oregon Trail Center

interprets the story of the Oregon Trail, highlighting its impact on American history. The Center features pioneer artifacts, along with artwork, quotes, videos, sound effects, and lifelike dioramas. The fact-filled exhibits and programs enhance visitors' understanding of America's Westward migration story. The collections are estimated to consist of approximately 1,520 specimens and occupy 800 square feet.

Paleontological Collections

Paleontological material is another important aspect of BLM's museum collections. The public lands managed by the BLM have served as our Nation's greatest outdoor laboratory and classroom for investigating the fascinating history of life on earth. Fossils from America's public lands have contributed significantly to scientific research and public education projects. Many of the earliest described and most widely known dinosaur specimens, such as *Apatosaurus*, *Stegosaurus*, and *Allosaurus*, came from the public lands.

Fossils from the public lands and the information they contain contribute to outstanding public exhibits such as the New Mexico Museum of Natural History's

“Robledo Mountains Trackway,” the Denver Museum of Natural History’s “Prehistoric Journey,” and Montana’s Museum of the Rockies exhibits of carnivorous dinosaurs.

Number of Facilities and Condition of Museum Collections

Table 7 summarizes the number of facilities holding collections from BLM public lands and the condition of

Table 7 - Number of Facilities and Condition of Museum Collections		
Location	Number of Facilities	Condition
Federal Facilities	3	Acceptable – Safeguarded
Non-Federal Facilities	189	Acceptable – Safeguarded

these heritage assets.

BLM’s museum collections and their associated records under the stewardship of the BLM are stored in professional facilities whose mission is to preserve them. Generally, museums and facilities preserve museum objects in a manner that is appropriate to the nature of the materials; that protects them from breakage and possible deterioration from diverse temperatures and relative humidities, visible light,

ultraviolet radiation, dust, soot, gases, mold, fungus, insects, rodents, and general neglect; that preserves data which may be studied in future analyses; and that protects collections from fire and theft.

Information on condition is not normally collected by the BLM to manage museum collections because doing so is considered prohibitively expensive and is not part of general professional methodology. Therefore, the BLM reports on an exception basis those collections that are not in acceptable condition, using available information such as observations from employees and the public.

The condition of BLM’s museum collections is presumed to be acceptable unless there is proof to the contrary (e.g., breakage, noted deterioration, etc.). Acceptable condition is defined as “safeguarded,” which means the following:

- collections are in secured locations,
- collections are managed consistent with their intended uses (some of the most common, but not the only, uses include research, exhibition, interpretation, and education), and
- their condition has not been materially degraded;

i.e., the condition of the individual specimens in the collection is similar to when they were originally deposited in the facility.

This definition is predicated on the fact that all museum objects will ultimately deteriorate over time with use. The goal of safeguarding museum objects is to preserve them for as long as possible and to manage their condition during their intended use so as not to unduly hasten their deterioration.

Net Change in Museum Collections from 1997 to 1998

Approximately 99 percent of all museum collections originating from BLM-administered lands are housed in non-Federal facilities that the BLM has only limited control over and limited access to. The BLM provides little or no funding to these non-Federal facilities, which are usually located in the general vicinity of the area where the objects are excavated. Collections in these non-Federal repositories usually have the most meaning to local populations.

Because objects are excavated from the public lands constantly, the BLM can state there has been a net increase

in the number of collections. However, limited control and access make it impossible for the BLM to count all the objects added to collections. In addition, it has never been general museum practice to perform annual inventories of museum collections.

Heritage Properties

The lands administered by the BLM are some of the most culturally diverse and scientifically important lands managed by any Federal agency. The Bureau is responsible for protecting and preserving paleontological localities and archaeological and historical sites, as well as the museum objects excavated or collected.

Paleontological Properties

Since the early 1800s, professional and amateur paleontologists have made discoveries that helped launch the new scientific discipline of paleontology in America, and filled our Nation's new museums of natural history with the remains of spectacular creatures that have captured the public's imagination.

Today, the public lands continue to provide paleontological resources that fuel scientific discovery and evoke

public wonder. Guided by laws such as FLPMA, the BLM manages these fragile and non-renewable resources in the public trust not only to assure preservation of their scientific values, but also to see that their public educational and recreational values are realized. While the BLM takes paleontological resources into account on all public lands, over 50 specially designated areas, such as Research Natural Areas, Areas of Critical Environmental Concern, and National Natural Landmarks totaling nearly 300,000 acres, are managed wholly or in part for their outstanding paleontological values.

The BLM manages a number of publicly accessible and interpreted paleontological sites such as the Cleveland-Lloyd Dinosaur Quarry, the Trilobite Trail, and the Trail Through Time. To meet public demands for recreational opportunities, the BLM makes most public lands available for collecting invertebrate fossils and limited amounts of petrified wood.

Cultural Properties

The BLM is steward for the Federal government's largest, most varied, and scientifically most important body of archaeological and historical resources—an estimated 4 to

4.5 million cultural properties. These range in age and include various early human occupation sites, including celebrated sites such as:

- The 11,700-year-old Mesa Site in the Brooks Range;
- The prehistoric Anasazi complex of the Southwestern United States;
- The remains of Spanish period exploration and settlement;
- The traces of buffalo soldiers at Western forts; and
- The more recent historic sites documenting westward migration and the histories of ranching, railroading, homesteading, and even military maneuvers in anticipation of and preparation for World War II.

Only a small number of the approximately 221,000 archaeological and historical properties recorded through the end of fiscal year 1998 have been nominated to the National Register of Historic Places. The National Register is America's official listing of sites important to history and prehistory. It includes districts, sites, buildings, structures, and objects that are significant in history, architecture, archaeology, engineering, and culture. These resources con-

tribute to the understanding of the historical and cultural foundations of the Nation.

Currently, there are 248 BLM cultural properties listed in the National Register. These 248 properties encompass 3,625 contributing properties, including 22 National Historic Landmarks. Table 8 summarizes the number and condition of the cultural properties under the BLM stewardship.

“Adventures in the Past” is BLM’s umbrella program for promoting public education and awareness and for encouraging public participation in protecting cultural resources. The goals of “Adventures in the Past” include increasing public appreciation and knowledge of cultural resources, promoting public stewardship of cultural resources, and reducing the threat to these resources. These goals have

their basis in law. “Adventures in the Past” responds to Section 10c of the Archaeological Resources Protection Act. This law requires Federal agencies to develop outreach programs to explain the importance and value of the Nation’s cultural legacy, and to enlist the public’s assistance in cultural resource protection.

The BLM’s national historic preservation program is founded in part on the following policy statements contained in Section 2 of the National Historic Preservation Act: “It shall be the policy of the Federal Government, in cooperation with other nations and in partnership with the states, local governments, Indian Tribes, and private organizations and individuals to . . . administer federally owned, administered, or controlled prehistoric and historic resources in a spirit of stew-

ardship for the inspiration and benefit of present and future generations.”

Condition of Cultural Properties

National Historic

Landmarks: The National Historic Landmarks program is administered by the Secretary of the Interior through the National Park Service (NPS) under the Historic Sites Act of 1935; regulations for the program are in 36 CFR Part 65. Candidate Landmarks are identified by NPS staff, evaluated and recommended by an appointed Advisory Board, and designated by the Secretary to recognize their outstanding historical, architectural, or archaeological value and significance at a national level. Landmark designation does not create units of the National Park System.

Many Landmarks, particularly in the West, have mixed ownership. Private and other non-Federal Landmarks are generally maintained according to owners’ agreements with the National Park Service. Maintenance of Federal Landmarks and Federal portions of mixed-ownership Landmarks is the responsibility of the land-managing agency. Twenty-

Table 8 - Number and Condition of Cultural Properties

Type of Cultural Property	Number of Properties ¹	Condition ²
National Historic Landmarks	22	Acceptable
National Register of Historic Places	248 Listings 3,625 Contributing Properties	Acceptable
World Heritage Properties	5	Acceptable
Recorded but Unassessed for Listing	220,800 ³	Acceptable

¹ The BLM does not use cultural properties in its day-to-day government operations.

² Refer to the “Condition of Cultural Properties” section of this report.

³ Thousands of archaeological and historical sites have been recorded on the public lands. The major portion of these have not been assessed for eligibility for listing on the National Register of Historic Places.

two National Historic Landmarks involve BLM-managed lands and, as steward, the Bureau places a high priority on protecting Landmarks from deterioration or harm.

Each year the Secretary provides the Congress with a listing of damaged or threatened National Historic Landmarks, as required by Section 8 of Public Law 94-458. This listing does not differentiate according to ownership when any portion of a Landmark is judged to be subject to threat. Of the Landmarks identified in the current listing where there are some BLM-managed lands involved, the BLM-managed portions of the Landmarks are not actively at risk. Landmark condition is carefully monitored by BLM's field offices. When active threats are present, appropriate physical or administrative protective measures are applied promptly.

Significant historic properties on BLM-managed public lands, including National Historic Landmarks, are predominantly archaeological properties that have been unused and unoccupied for hundreds or thousands of years. A smaller percentage of historic properties on the

public lands consist of the physical remains of failed settlements, abandoned mines, and similar boom-or-bust developments dating to the past 150 years. Inescapably, such historic resources are in a continuous state of deterioration.

The BLM's cultural resource management program was developed in the 1970s to respond to the National Historic Preservation Act of 1966 and Executive Order 11593 of 1971. The most important known properties, including National Historic Landmarks, are afforded the highest attention.

The BLM's cultural resource management program does not include an element called "condition assessment survey." However, historic properties are evaluated continuously, and monitoring the rate of natural and human-caused deterioration—adjusting protection methods and priorities accordingly—is the most commonly applied protection measure where significant properties are known to exist.

All Other Cultural

Properties: The condition of the approximately 221,000 recorded archaeological and historic sites on the public

lands ranges from nonexistent (the site was recorded, assessed, and then destroyed) to excellent. Most of the public lands inventoried in any given fiscal year (500,000-plus acres on average) are examined in response to requests by land use applicants to undertake a land-disturbing activity. Section 106 of the National Historic Preservation Act requires that any project requiring a Federal approval, license, or money be reviewed for its potential effect on any listed or eligible National Register of Historic Place property. Since only about 5 percent of the public lands have been inventoried to date and most National Register-eligible sites have not yet been identified, the area of potential impact must generally be inventoried before project approval.

The preferred course of action when a proposed project may affect an archaeological or historic site is to avoid it, particularly if the site is of national significance or is a designated National Historic Landmark. On some projects, particularly larger ones, it is not always possible to avoid National Register-eligible sites that are important primarily for the scientific information they contain. Consequently, in

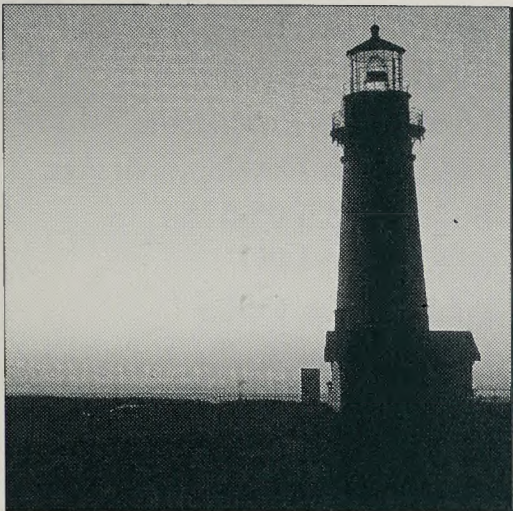
any given year, the effects of projects on an unknown number of sites are mitigated.

In most instances, mitigation involves either site recordation or excavation of a small percentage of a site. At that point, what remains of the site can be destroyed without further examination. In the years since the National Historic Preservation Act was

passed in 1966, many hundreds, if not thousands, of sites have been destroyed subsequent to project mitigation or without mitigation because the information they contain is redundant (i.e., similar information has previously been obtained from similar sites). Consequently, an unknown percentage of the archaeological and historical sites recorded on the

public lands no longer exist.
**Net Change in
Heritage Properties
from 1997 to 1998**

During fiscal year 1998, approximately 8,000 additional archaeological and historical sites were recorded. The number of National Register of Historic Places listings increased by seven. Contributing properties



Supplemental Schedules and Information

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

FEB - 1 1999

AUDITORS REPORT

Memorandum

To: Director, Bureau of Land Management

Subject: Auditors Report on Bureau of Land Management Financial Statements for
Fiscal Years 1998 and 1997 (No. 99-I-236)

SUMMARY

In our audit of the Bureau of Land Management's financial statements for fiscal year 1998, we found the following:

- The financial statements were fairly presented in all material respects.
- Our tests identified one internal control weakness concerning deferred maintenance that we consider to be a reportable condition.
- Our tests of compliance with laws and regulations identified no instances of noncompliance that are required to be reported.

Our conclusions are detailed in the sections that follow.

OPINION ON PRINCIPAL FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, we audited the Bureau of Land Management's financial statements for the fiscal years ended September 30, 1998, and 1997, and the Combined Statement of Budgetary Resources for the fiscal year ended September 30, 1998, as contained in the Bureau of Land Management's accompanying "1998 Annual Report." The Bureau of Land Management is responsible for these financial statements, and we are responsible for expressing an opinion, based on our audit, on these financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget

Bulletin 98-08, "Audit Requirements for Federal Financial Statements," and was completed on December 18, 1998. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

In our opinion, the three statements (Consolidated Comparative Statements of Financial Position as of September 30, 1998 and 1997; the Consolidated Comparative Statements of Net Cost of Operations and Changes in Net Position for the fiscal years ended September 30, 1998 and 1997; and the Combined Statement of Budgetary Resources as of September 30, 1998) present fairly, in all material respects, the financial position of the Bureau of Land Management as of September 30, 1998, and 1997, and its consolidated net cost, changes in net position, and combined budgetary resources and outlays on the basis of accounting described in Note 1 of the financial statements. The supplemental financial statements for fiscal years 1998 and 1997, which follow the notes to the consolidated financial statements, were subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The stewardship assets and supplemental information that follow the Consolidating Comparative Statements were not subjected to the auditing procedures applied to the audit of the consolidated financial statements. Accordingly, we do not express an opinion on this information.

REPORT ON INTERNAL CONTROLS

Management of the Bureau of Land Management is responsible for establishing and maintaining an internal control structure which provides reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the principal statements and required supplementary stewardship information in accordance with Federal accounting standards.

- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

- Transactions are executed in accordance with (1) laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the principal financial statements or required supplementary stewardship information and (2) any other laws, regulations, and Governmentwide policies identified by the Office of Management and Budget.

Because of inherent limitations in any internal control structure, errors or fraud may occur and not be detected. Also, projections of the internal controls over financial reporting to

future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

We did not review the internal controls related to the transactions and other data that support the reported performance measures to determine whether transactions were properly recorded, processed, and summarized in accordance with the criteria stated by management.

In planning and performing our audit, we obtained an understanding of the relevant internal control policies and procedures, determined whether these internal controls had been placed in operation, assessed control risks, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to express assurance on the internal controls over financial reporting. Consequently, we do not express an opinion on internal controls. We also reviewed the Bureau's most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluation of the Bureau's internal control structure.

Our consideration of the internal controls over financial reporting and compliance would not necessarily disclose all matters in the internal control structure over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants and by Office of Management and Budget Bulletin 98-08, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted certain matters discussed in the paragraphs that follow involving the internal control structure and its operation that we consider to be a reportable condition. The reportable condition is not believed to be a material weakness.

In accordance with Bulletin 98-08, we reviewed the internal controls related to the transactions and other data that support the reported information on deferred maintenance to determine whether transactions were properly recorded, processed, and summarized. We found that the supervisory and monitoring controls over deferred maintenance require strengthening to ensure that the data entered into the deferred maintenance system is supported by adequate documentation, and the duties and responsibilities for authorizing, processing, recording, and reviewing data in the deferred maintenance system need to be established. To correct weaknesses related to deferred maintenance, the Bureau has developed a long-range action plan and a project plan. As part of this effort, according to a Bureau official, specific responsibilities and duties are being developed to control and monitor deferred maintenance data.

In addition, we considered the Department of the Interior's internal controls over Required Supplementary Stewardship Information by obtaining an understanding of the Bureau's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by Bulletin 98-08. However, providing assurance on these internal controls was not an objective of our audit, and accordingly, we do not provide assurance on such controls.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

The management of the Bureau of Land Management is responsible for complying with laws and regulations applicable to that agency. As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of the Bureau's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations discussed in the preceding paragraph exclusive of the Federal Financial Management Improvement Act disclosed no instances of noncompliance that are required to be reported under the "Government Auditing Standards" or Bulletin 98-08.

Under the Federal Financial Management Improvement Act, we are required to report whether the Bureau's financial management systems substantially comply with requirements for Federal financial management systems, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. To meet these requirements, we performed tests of compliance using the implementation guidance for the Federal Financial Management Improvement Act included in Appendix D of Bulletin 98-08. The results of our test disclosed no instances in which the Bureau's financial management system did not comply substantially with these three requirements.

CONSISTENCY OF OTHER INFORMATION

We reviewed the financial information presented in the Bureau of Land Management's overview and in the required supplemental information to determine whether the information was consistent with the financial statements. Based on our review, we determined that the information in the overview and in the required supplemental information was consistent with information in the financial statements.

PRIOR AUDIT COVERAGE

Our review of prior Office of Inspector General and General Accounting Office audit reports disclosed that there were no significant unresolved or unimplemented recommendations which affected the Bureau's financial statements.

OBJECTIVE, SCOPE, AND METHODOLOGY

Management of the Bureau of Land Management is responsible for the following:

- Preparing the financial statements and the required supplemental information referred to in the Consistency of Other Information section of this report in conformity with generally accepted accounting principles and preparing the other information contained in the "1998 Annual Report."

- Establishing and maintaining an internal control structure over financial reporting. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures.

- Complying with applicable laws and regulations.

We are responsible for the following:

- Expressing an opinion on the Bureau of Land Management's principal financial statements.

- Obtaining reasonable assurance that management's assertion regarding the effectiveness of the internal controls is fairly stated in all material respects, based upon the internal control objectives in Bulletin 98-08, which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplemental information in accordance with Federal accounting standards and that assets are safeguarded against loss from unauthorized acquisition, use, or disposal.

- Testing the Bureau's compliance with selected provisions of laws and regulations that could materially affect the principal statements or the required supplemental information.

In order to fulfill these responsibilities, we performed the following actions:

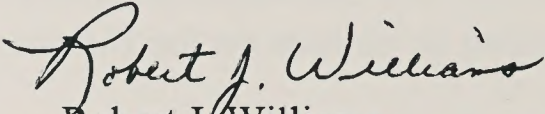
- Examined, on a test basis, evidence supporting the amounts disclosed in the principal financial statements.

- Assessed the accounting principles used and the significant estimates made by management.

- Evaluated the overall presentation of the financial statements.
- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.
- Tested relevant internal controls over the safeguarding of assets, compliance with laws and regulations, and financial reporting and evaluated management's assertion about the effectiveness of internal controls.
- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all of the internal controls relevant to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our report on internal controls.

This report is intended for the information of management of the Bureau of Land Management, the Office of Management and Budget, and the Congress. However, this report is a matter of public record, and its distribution is not limited.


Robert J. Williams
Assistant Inspector General
for Audits

Comment Card

FORM APPROVED
OMB NO. 1004-0172

Expires: September 30, 2001

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Report Title: BLM FY 1998 Annual Report

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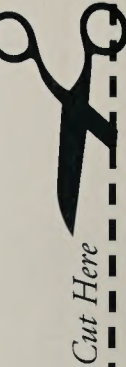
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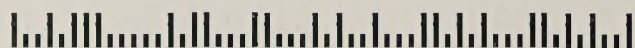


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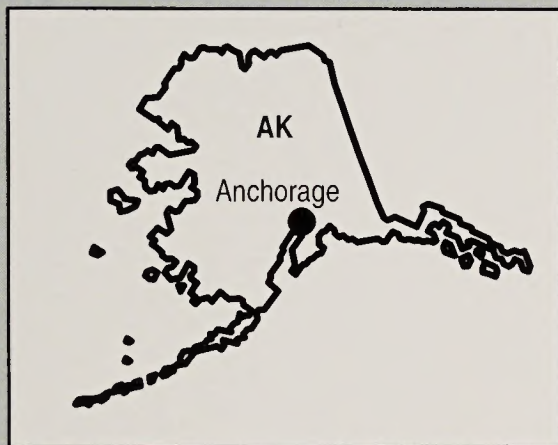
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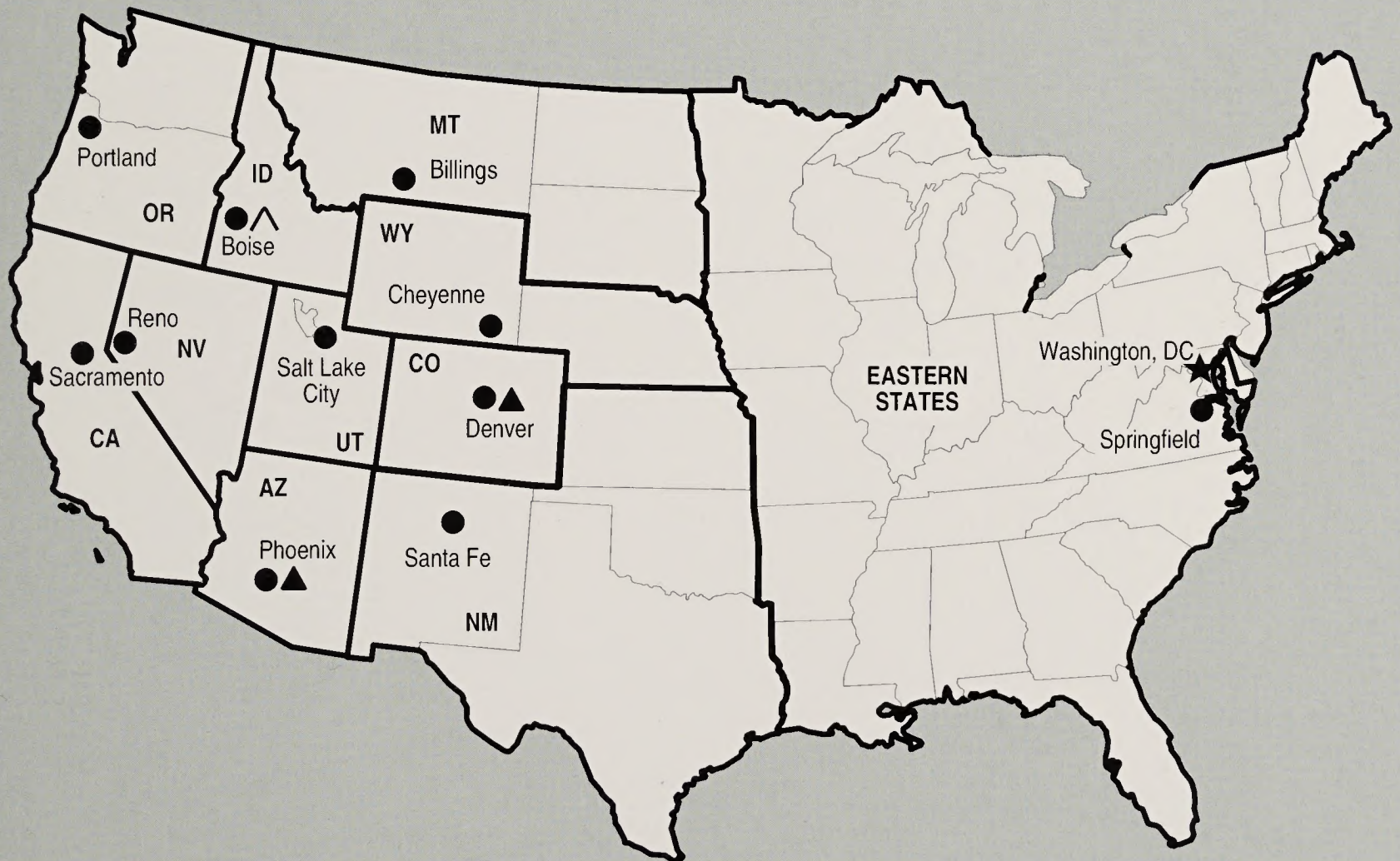
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